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USSR REPORT
Economic Affairs

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ECONOMIC POLICY ORGANIZATION AND MANAGEMENT

GEORGIAN ECONOMIST CITES PRODUCTION ASSOCIATION EXPERIENCE

Tbilisi ZARYA VOSTOKA in Russian 18 Jun 86 p2

[Article by Vakhtang Burduli, chief, Laboratory for Economic Problems of Management at the Institute of Economics and Law, Georgian SSR Academy of Sciences: "What Divides an Association?"]

[Text] Link Stability is Found in their Fitness for a Particular Purpose

The acceleration of scientific-technical progress is inseparably connected with the development of the organizational and managerial structure for production. Dynamic growth in the scale of production and the complexity of the ties among production units determine the directions, brought about by scientific-technical progress, for developing the forms of specialization and concentration of production, cooperation and combination, as well as the organizational structures and methods of management. In his Political Report to the CPSU Central Committee at the 27th Party Congress, Comrade M.S. Gorbachev pointed out the need for providing management with modern organizational structures, while taking into consideration the tendencies for concentration, specialization and cooperation in production. It is a question of setting up complexes of interrelated branches, scientific-technical interbranch centers, various forms of economic associations, and territorial-production formations.

The process of establishing and developing production associations is an important direction for improving the organizational structure of production. One of the basic results of the formation of production associations is increased flexibility for production and management. This form of management permits rapidly reorganizing for the manufacture of the most advanced products, while guaranteeing high quality. Valuable experience in this direction has been accumulated at a number of the country's associations and enterprises. This was stressed at the June CPSU Central Committee Plenum.

Earlier, in order to show the effect of setting up production associations, we made a comparison, based on materials from 1978-1980, of the effectiveness of associations and individual enterprises in several ministries, both of union and republic subordination.

Based on the results of the analysis conducted it followed, specifically, that the effectiveness of associations is greater than that of individual enterprises in the USSR Minkhimprom [Ministry of the Chemicals Industry]

and in the Georgian SSR Minmestprom [Ministry of Local Industry]. Most of the indices of effectiveness analyzed at the production associations were higher at USSR Minelektrotekhprom [Ministry of the Electrical Equipment Industry].

Nevertheless, since 1979 in the Georgian SSR as in the country as a whole, the process of setting up new production associations has slowed down; and in the republic, starting with 1981, the number of production associations and production units entering them has even begun to decline. This trend was brought about by a number of objective reasons.

The first group of factors which predetermined the trend for slowing down the process of setting up associations was brought about by exhausting the reserves for building up production within a number of different ministries, and practically no methodss were found to establish interdepartmental associations on the basis of comprehensive development of territorial units (individual cities or industrial centers).

The second group of factors which brought about not only reduction of the number of newly-established associations, but also the disbanding of certain of the alrealdy-established ones was brought about by the fact that in a certain part of the established associations a disproportion was observed between the level of concentration of production, and its structure and management system--which influenced the effectiveness of their functioning, and certain indices of effectiveness among the associations of a number of ministries turned out to be lower than the average for the branch.

The fact of the matter is that in setting up production associations, the need arises to resolve a number of complex organizational questions. Inasmuch as the task consists of setting up a new, integrated economic organism which unites a number of enterprises, an appropriate organizational structure for production and management must be found, the necessary production and management ties between subdivisions must be organized, linear-functional structures of management must be set up, and the necessary degree of centralization of management functions must be established.

Factors of Independence

The establishment of production and scientific-production associations was quite often carried out in a perfunctory manner. There are instances of mechanical unification of enterprises, which quite often not only does not increase but even reduces overall production effectiveness. Another cause which holds up development of associations is the insufficient diversity of kinds of production associations, and methods and forms for their organization and functioning.

Insufficient attention was devoted to developing the organizational structure. Specifically, the plans for organization of associations were worked out for the most part only within the bounds of an industrial branch.

In the opinion of many economists a special approach is required to the question of the preservation of the independence of the enterprises entering an association and, in connection with this, the level of centralization of this or that management function. Preservation of independence in many cases retards development of internal contacts for cooperation. On the other hand, an enterprise deprived of economic independence loses its own self-sufficiency and stops making payments to the local budget. This function is centralized for the association as a whole and, consequently, is implemented according to the location of the leading enterprise. Therefore in a number of cases local organs are blocking the formation of industrial associations with an organizational structure divided by territory.

Achieving Flexibility

As an example of a well-thought-out solution to the question of organizing an association one might cite the experience of the Elektroapparat Production Association in Tbilisi, part of the USSR Ministry of the Electrical Equipment Industry, created in 1971 out of five enterprises: the Elektropuskatel, Elektroavtomat and Plastmass plants in Tbilisi; the Elektroapparat plant in Kaspi; and the Elektrokrepezh plant in Rustavi. Prior to establishing the association there was often friction among these plants, connected with the lack of orderliness in deliveries of products to one another. And the flow of articles among them was great.

With the establishment of the association, the organizational structure for production improved as well. The level of centralization of management was quite high, both as a whole for the administrative-management and production-engineering personnel, and for the separate management functions. For example, functions of planning, bookkeeping and accounting, supply and sales were centralized.

Proper organization of the enterprise influenced the dynamics of the economic indices. Thus, during the 10th and 11th Five Year Plans product output more than doubled; moreover, about 89 percent of its growth was achieved due to growth of labor productivity.

At the present time one of the basic characteristics of effectiveness of functioning of the production and management organization is the level of its production flexibility, which must be displayed in various aspects of its activity: flexibility in varying production volumes; efficiency of material-technical supply; timely reaction to consumer needs; skilfull maneuvering of all kinds of resources, including financial resources; and, the ability to restructure the organizational structure and management mechanism in a timely manner.

Therefore, in setting up or developing production associations, one of the basic factors to be considered is that of production flexibility. In this connection, the question of organizing forms of interaction among the major, minor and medium-sized enterprises is of interest. When, for example, it is more expedient in the interests of developing cooperation for small enterprises to be subordinate to major ones, an association may be set up on this basis; or, when other kinds of production cooperation are established. This

problem has both branch as well as territorial aspects. In many branches large losses are connected with such structural factors as the number of layers at the enterprises, and the excessive development of auxiliary and procurement departments in them. In the past, concentrating production of this nature was prevalent in world industry. However at the present time a tendency is observed to set up small narrowly-specialized production with a high degree of mechanization and automation. For example, machine tool building firms in the FRG and Japan cooperate extensively with small firms which specialize in certain operations or in production of certain parts. Therefore technical innovations are quite often 70 percent assembled from standard off-the-shelf parts and articles, or previously-assimilated uniform components. This supports production flexibility, increases the effectiveness of current production, and speeds up the introduction of new equipment. The active development of specialization of this nature can be provided by means of organizing and including in the association small production facilities of this type. Similar production structures can be set up in subsectors of machine building, light industry and certain other industries.

Some hold the opinion that one of the most rapid and radical solutions to the problem is turning the small enterprises into narrowly-specialized branches of the major associations.

However, organizing branches would be expedient only if they were able to be fully-occupied with orders from the leading enterprise. After all, setting up independent production ties without the appropriate management apparatus for them would be difficult. It is namely for this reason that the opposite process takes place in certain instances--removing enterprises from membership in an association. This process is characteristic both for our country and for other socialist countries. For example, in Hungary at the present time in a number of cases enterprises of certain plants which had formerly been part of major enterprises or trusts are separated and turned into independent enterprises. These plants, which are of relatively small or medium dimensions, react well and quickly adapt to the change of their external conditions.

In our view, organization of small, narrowly-specialized enterprises as branches of associations is justified in those cases in which the overwhelming portion of the products they produce are consumed either in the association itself, or by enterprises of the industrial branch to which they belong. As far as organizing small and medium production facilities of an interbranch nature is concerned, or enterprises specializing in the manufacture of products from the byproducts of other enterprises (consumer goods in particular), the territorial authorities should take a greater part in their management.

We shall cite examples of possible directions for organizing interbranch production facilities. An important reserve is found in organizing centralized production of instruments and tools. There are tool shops at many enterprises. Setting up a major tool association to serve the needs of the Tbilisi-Rustavi agglomeration, for example, would permit achieving a significant economic effect, and would free up manpower and production space.

Analogous solution of problems is also possible in parts of the production facilities for a number of different kinds of products for machine building purposes (casting, stamping, and so on). Interbranch centralization of repair services should also prove economically effective. Another important direction for developing interbranch production is establishing enterprises for production of standard articles and components and uniform parts.

Various forms of participation of territorial authorities in managing the cooperation of major, medium and small enterprises are being tested in territorial-interbranch associations, which have been set up in a number of cities in the Georgian SSR. The search for such forms is also being carried out in a number of socialist countries. For example, in the GDR, CSSR and certain other countries, so-called territorial rationalization of production facilities is being carried out, representing a new form of management under which the capabilities of various major, medium and minor enterprises and organizations are combined for joint resolution of problems of production intensification.

9006
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VALOVOY SEEKS NEW, REALISTIC INDICATORS

Moscow PRAVDA in Russian 7 Jul 86 p 2

[Article by Prof. D. Valovoy, doctor of economic sciences: "Measuring Acceleration: An Economic Survey"]

[Text] Acceleration: I think it would be hard to find a more topical and voluminous concept. "In putting forth the task of accelerating socioeconomic development," noted M.S. Gorbachev, "the CPSU Central Committee has in mind not only increasing the growth rates of the national economy. It is a question of a new quality of growth, of switching to the intensive development track. And as everyone knows, new quality presupposes new measuring instruments. It is not hard to imagine the results if we were to try to use a ruler calibrated in centimeters and millimeters to measure...microns."

A Rubber "Meter"

According to D.I. Mendeleyev, true science begins when it starts to be measured. Historically, in economic practice, it has come to pass that the volume of gross output [valovaya produktsiya], known in the vernacular as "val," is used to measure the value of production volume. The more rubles "val'ed," the better for the enterprise. Not only labor productivity, but the wage and bonus funds, as well as many estimates, are based on these rubles.

But this index is not suitable for measuring economic growth, since the sum includes duplicate accounting for the value of the objects of labor. In their plans for production and sales of social products, Marx and Lenin, as everyone knows, excluded duplicate accounting from the value of the newly-created aggregate product. In addition, Lenin in a number of works devoted special attention to the fact the the division of labor leads to an artificial over-increase in production volume. And here is why:

In the process of developing specialization and cooperation, many types of material inputs and semifinished goods pass through five or more enterprises on their journey, and at each of them are included in the volume of gross (commodity) production and sales. Under these conditions "val" is like a rubber meter: the higher the level of specializaion, the longer it stretches...

In the period of extensive development of the economy it was proper to say that great results require great expenditures as well. In the 1970's the situation was profoundly changed. An enormous industrial potential had been created and the achievements of scientific-technical progress had permitted increasing production of goods and services at the very same costs, and quite often even for less. But measuring production volume with a rubber "meter" counteracted this process, since for the enterprises and branches the greater the costs and the more expensive the product, the better. At the June (1986) CPSU Central Committee Plenum it was noted that the economy was unable to switch from the extensive to the intensive development track in a timely manner. National economic planning was being driven by the inertia of "the level achieved." The gross output approach to economic analysis, while distorting the true state of things, provided false signals on its condition as well.

False Signals

The /first/ signal concerns economic growth rates. In the 10th and 11th Five Year Plans, as everyone knows, the tasks for intensification of production were not fully carried out, but the process was unswervingly developed and gained RPM's. As a result, social costs were reduced, but in the final analysis /growth rates for production and labor productivity were artificially lowered/. Calculations show that computing the rates by gross social product and not by the final product reduced them in the last five-year plan by 3.8 percentage points, and over the last ten years by 8.4 points. The amount of duplicate accounting, or the so-called floating "val," today exceeds by more than fivefold the value of the initial objects of labor, annually brought into the production process. In the structure of gross social product more than one-third amounts to "floating val," and under conditions of intensification of its growth it is objectively reduced.

In order to ensure growth for the ever-increasing cost "base," they have begun to look for "easy" ways to increase volume in terms of rubles. At the June Plenum it was noted that for the sake of increasing the "val," costly materials are frequently used, all the vehicles are run up, ton-kilometers are cranked up, and turnover within the industry is inflated. It turns out that an inexpensive range of goods is "washed away" by expensive goods, and as a result, the nature of goods in short supply is changed. Previously, this category involved goods for which there was little raw material for production or not enough production capacities; but since the 1970's, inexpensive goods started to fall into this category--inexpensive, but high-volume goods: fastners, needles, buttons, thread, soap, toilet paper, fruit-drops, lozenges, yarn, crackers, and other "trifles," the demand for which formerly had been satisfied completely.

The /second/ signal. Tens of billions of rubles, frozen in abnormally-high stockpiles of valuable materials and unfinished construction projects represent, according to Marx, nothing other than "irrationally-expended materials and means of labor." They did not become a consumer value, that is, the goods and services needed by man and by society; and therefore they did not take part in the formation of new value. But inasmuch as the amount of the abnormally-high stockpiles was included in the cost volume of the social

product, such expenditures "increase" labor productivity, "reduce" material- and energy-intensive production and national income, and in the final analysys--on paper, it goes without saying--"increase" the economic effectiveness of social production.

Therefore the outstripping growth of stocks in comparison with expansion of production has a "positive" influence on both quantitative and qualitative economic indices, and their reduction produces a gap in the "base" which somehow must be filled. If above-normal stockpiles and unfinished projects had been reduced this year by one-third, the growth rate of gross social product would have "declined" by more than 4 percent.

The /third/ signal. Stainless steel enjoys increasei demand, but satisfying that demand is costly. After all, every ton of stainless steel devours up to 100 kg of hard-to-get nickle.

"Watch more carefully!" USSR Minister of Ferrous Metallurgy S. Kolpakov warned the representatives of the press, as he approached the next exhibit at the branch exposition of innovations. "This is stainless steel...without nickle. In terms of its qualitative parameters it is just as good as the nickle type, but it is not in demand since it costs only about half as much, and the established production capacities are not fully occupied."

At the exposition we were shown quite a few innovations, which are not in demand because of their low prices, and in our farewell talks we newspaper writers were requested to propagandize these innovations in the press. Along with publicizing such innovations the press cannot help coming to the aid of the enterprises which are introducing them too. After all, they are in a difficult economic situation. Three times PRAVDA spoke out in defense of the Volga Pipe Plant, which put on-line production of thin-walled and sturdy, but cheaper pipe. Society thus achieved economies of hundreds of thousands of tons of expensive steel and hundreds of millions of rubles. But at the plant, production volume rates, expressed in terms of those same rubles for the notorious "val" declined dramatically; labor productivity "fell" as well, and economic incentive funds "grew thin." From number one in the branch and the city, the collective fell into the lagging category. And the construction workers did not want to take the inexpensive pipe, since they would lower the volume from them in terms of rubles, and would "cut" wages.

The /fourth/ signal. In the decisions of the party and government on economizing on material resources it was proposed to reduce the "normatives for expenditures of the most important kinds of material inputs and raw material in physical terms per unit of production." But in new instructions adopted last year, it is recommended to determine the savings of resources by means of comparing actual expenditure with that achieved in the preceding period per thousand (million) rubles of commodity production. Therefore, if an enterprise puts on line new and more material-intensive but more expensive articles, then the actual increase in expenditure of material resources per unit of production in physical terms is covered by means of the outstripping growth of the volume in rubles, and mismanagement is made to appear "effective" in the accounting reports.

The country's gross social product amounts to almost 1 trillion 400 billion rubles per year. Simply maintaining this level, to say nothing of increasing the growth rate, is possible only by those very means used to achieve it in the period of predominantly extensive development, including the ruble "meter" and the spending principle of price formation. Every percentage point of growth today requires 14 billion rubles, and five-percent growth, 70 billion rubles. This sum will increase from year to year. Where did it come from? You see, intensification reduces socially-necessary expenditures, on whose basis prices are established.

This contradiction is especially vivid in the example of Gosagroprom [State Agroindustrial Commission] and Minlegprom [Ministry of Light Industry] where decisions taken on introducing anti-spending methods have been "pushed" into a spending "base," which objectively presumes progressive squandering. How can it be that we reduce spending and increase prices? Some people are proposing precisely this; but this is the capitalist way, and it clashes with the very nature of socialism. It was noted at the June CPSU Central Committee Plenum that the previous methods of management and planning "from the base" have put the economy into a blind alley situation. At the Plenum the way out was carefully shown: it is high time to cut off the "val" knot, or else we will not be able to move ahead on the way to overcoming the spending mechanism.

Cut Off the "Val" Knot

In his report at the conference on accelerating scientific-technical progress, M.S. Gorbachev set a principally new task of exceptional importance: /to develop an anti-spending management mechanism./ The basic directions for its solution were defined in the materials of the 27th Party Congress. It is written in the new edition of th CPSU Program that the most complete satisfaction of the needs of society along with the lowest possible expenditures for all kinds of resources, is an immutable law of socialist management, and is the basic criterion for analyzing the activity of the branches, associations and enterprises.

Implementing the immutable law on the previous "base" seems unrealistic, since reducing expenses will in the final analysis inevitably lead to an artificial decline in production growth rates and will send false signals on the state of the economy. Therefore, the use of "val" as an economic "meter" must be rejected. But what should replace it?

/Measuring production volume and the level of labor productivity, and the dynamics of their growth in conditions of intensification must be determined on the basis of indices which exclude duplicate accounting for the value of past labor./ For example, it makes more sense to define production growth rates on the basis of the /final social product./ The worthiness of such a method was described in a conversation of with M. Rydelman, director of the Scientific Research Institute of the USSR TsSA [Central Statistical Administration] published in PRAVDA 9 December 1987 under the heading, "Imlicos". It brought forth many comments from practical workers and scientists, but remained beyond the field of vision of the administrators of these departments, on which the realization in practice of the suggestions expressed in it depends.

According to Marxist-Leninist theory, the real contribution of economic links in the formation of the end product can only be defined on the basis of /newly-created value/, that is--from net production. But here a disconnection takes place: in words, all of us unanimously admit that national income is the main index of economic development; but in deeds it is practically not used in economic practice. At the present time this extremely important indicator is computed on the macrolevel by means of subtracting material expenditures from the gross social product. But what of its volume at the enterprises (associations) and in the industrial branches? Practice does not provide an answer to this question.

At the same time one must not forget that net or normative net production and the final social product reflect expenditures to different degrees. Therefore it makes more sense to use them as estimates. Each of them, like a measuring instrument, shows the dynamics of a certain process which must be taken into consideration in analysis and planning. But what does the existing "procedure" for determining the wage fund by stimulating artificial growth of "expended" rubles lead to? This is the same as turning the speedometer ahead in order to increase ton-kilometers and "save" fuel, tires and spare parts. Naturally, not a single one of the expense indices can serve as a basic criterion for analysis.

"Clinical Examination" is Needed

A man needs a certificate on his state of health. His temperature is normal but before certifying him as "practically healthy," the physician suggests clinical examination, the results of which often show that treatment is needed. You see, many sick people, at times those who are seriously ill, have a normal temperature. And is analysis of the activities of production units really less complicated than determining the state of health of a human being? Not in the least! Therefore, attempts to find a universal index for this purpose, just like the search for the philosopher's stone in the Middle Ages, are just a waste of time. Neither "val," nor normative net production, nor net production--nor any other index--can provide a reliable answer to the question: Is the plant operating well? And profits? Profits cannot either! All profits make a capitalist wealthy. But under socialism, profits received by virtue of price increases or an advantageous assortment of goods, while not increasing the real surplus product, artificially pump up the volume of national income. Objective analysis of the operations of a production collective is possible only with the aid of a /system/ of physical, cost, and labor indices and normatives. In our view, effective analysis of the operations of economic links should be accomplished in terms of fulfilling the tasks for the most important types of product and sales volume, taking into consideration completion of contracted obligations. These indices reflect the economic "temperature" of an enterprise. If it is abnormal, a diagnosis must be made, and that enterprise must be "treated." Many enterprises, while fulfilling the plan in terms of rubles, fail to make deliveries. The reason? When the volume is underfulfilled in terms of rubles, the wages of the collective are "burned up;" and for failing to meet contracted obligations, the collective loses its bonus either wholly or in part. Supporting wages is, I think, the most powerful incentive for "winding up" rubles in every way. But if one is paid according to normative labor intensity for the /actual/ manufacture of articles this evil is eliminated.

However, successful completion of contracted obligations is still a long way from signifying that an enterprise is operating well. One must find out at what cost this is being done. In order to do this, an economic "clinical examination" must be made, in the process of which it is determined:

--how the production funds and working capital are utilized;

--whether material- and labor-intensity for products are being reduced in terms of cost or in physical terms;

--whether production costs are going down;

--whether the returns and profits are increasing; and,

--whether there are claims for replacement of defective goods.

For the most objective "clinical examination" it is necessary to accelerate introduction of systems for progressive, scientifically-based norms and normatives, the urgency of which was spoken of at the 27th Party Congress and the June (1986) CPSU Central Committee PLenum.

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Our country has accumulated a wealth of experience in intensification. In all spheres of economic activity there are leading lights, whose achievements surpass the best world models. In various years many of their initiatives have been approved by the party Central Committee. But these, just as the innovations in technical progress, which heralded many-faceted reductions in labor intensity and in the expenditure of material resources, were unable to overcome the spending "barrier" and their hour was yet to come. But now the hour has struck! The resolution of the 27th Congress proposes transferring the center of gravity from quantitative indices to qualitative, and from interim results to the final results. This will permit surpassing the economic growth rates envisaged in the five-year plan, and further increasing the material and cultural levels of the Soviet people.

9006
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CAREFUL ECONOMIC NORM EVALUATION IN LIGHT OF REFORM URGED

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 7, Jul 86 pp 22-30

[Article by G. Kiperman, director of the USSR Gosplan Scientific Research Institute of Planning and Standards, doctor of economic sciences: "Economic Norms in Evaluating Industrial Production"]

[Text] The Role of Economic Norms. Inadequacies of Growth Norms. Stability and Differentiation of Norms -- an Important Prerequisite for Efficient Work.

In the system of measures to restructure the economic mechanism a highly important place belongs to the expansion of the sphere of use of economic norms and to improving their scientific footing and impact on the growth and improvement of social production. It was stressed at the June (1986) Plenum of the CPSU Central Committee that, "Without setting up well-grounded economic norms, we will not escape the burden of the various kinds of instruction that hamper the activities of enterprises, and it will be difficult to convert from administrative methods of leadership to economic methods."

Economic norms have been successfully employed in the past in management and planning to regulate the processes of production and expand output, and to regulate costs and results. But never before have they had so important a role in regulating the activities of industrial units, or in strengthening and developing self-financing.

In a planned economy the fulfillment of the tasks assigned is the law for every enterprise, and an essential condition for favorably evaluating its activities. But the fact of fulfilling the plan, however important it is, is not sufficient to describe the quality of an enterprise's work; planning tasks themselves require social evaluation, and this can be done only with the aid of economic norms. Comparison against norms makes it possible to objectively evaluate the correspondence between planning and actual indicators of social demands, and provide not only a qualitative but also a quantitative social evaluation of economic phenomena and processes.

The normative method of planning, i.e., the regulation of economic development with the aid of benchmarks and norms is objectively inherent in a planned economic system. The principal import of economic norms is that they reflect socially necessary requirements for expenditures on production and the results

of production, and the distribution and utilization of the expenditures. Norms are the foundations for regulating relations among branches of the national economy, establishing rational and scientifically grounded ratios in production and in the distribution of social product and national income, and monitoring the appropriate level of expenditure on production and the results achieved by social requirements. Scientifically grounded norms for requirements in commercial goods and foodstuffs are aimed at improving the structure of production in order to more fully meet popular demand. They make it possible to properly evaluate the level of development attained by a branch or subbranch by way of comparing the volume and structure of production with normative requirements.

Norms also define industrial requirements for means and items of labor, and serve as the criteria of the effectiveness of organizational-technical and other economic measures. Norms of the effectiveness of investment serve as a barrier against making socially undesirable expenditures of labor and material resources.

Economic norms occupy the central place in the new management methods that became basic in the 12th Five-Year Plan, not only for industry but for other branches as well. They make it possible to strengthen central control over the pace and ratios of socialist production, while expanding the independence of enterprises in the choice of ways and means to solve government-wide problems, and they ensure congruence of interests between the government and labor collectives. Norms are the basis for setting up funds for wages and economic incentives and special funds, and they help to regulate financial correlations between enterprises and the state budget.

It was noted in the Political Report of the CPSU Central Committee to the 27th Party Congress that conditions must be created so that labor collectives will know ahead of time the provisions of the plan period -- tasks for the delivery of goods, prices, deductions from profits for the budget, and the norms for the formation of wage funds and self-financed incentive funds, and thus be able to carry out their plans creatively and without fear of going into their reserves, thereby ensuring a high rate of production and a considerable increase in its effectiveness.

However, economic norms can perform this important role in the economic mechanism only if their contents, methods of formation, and conditions of use are scientifically grounded. Unfortunately, these requirements are far from always being met.

In recent years much has been done to expand the area of application of economic norms, various alternatives of forming them have been put into practice, definite experience has been accumulated on the effective use of norms, and many inadequacies have been brought to light of a theoretical and applied nature. From an auxiliary planning aid, serving in various degrees as a supplement to the tasks in directives, economic norms have more and more become the foundation of the new economic mechanism.

Increasing the role and expanding the area of application of economic norms is

in conformity with the tasks of consistently applying the principle of democratic socialism in management -- increasing the effectiveness of central management, while substantially expanding the economic independence and responsibility of associations and enterprises.

Economic norms vary widely as to content, purpose, and methods of formation. A norm of the effectiveness of investment could hardly be compared with a norm for forming a fund of sociocultural undertakings and housing construction, or a norm of profitability with a norm to decrease the material incentives fund for non-delivery to customers of goods covered by contract or order. Nevertheless, all economic norms have a common inherent trait -- they regulate the links and relationships among the phenomena and processes of economic life: between costs and results, between an enterprise's contribution to the generation of national income and its share in the distribution of it, etc. The use of economic norms conforms with the highly important requirement of Marxist dialectic that social phenomena be seen not in isolation but in their interconnections and relations.

Norms themselves are closely interrelated, and this reflects the objectively existing connections of economic phenomena. The unity of the process of social production and the interrelations of all its aspects and elements determine the possibility or impossibility of developing and applying not just individual norms but systems of them. Therefore, economic norms are the components of a single system of advanced benchmarks and norms in operation on our country. They must meet both the overall requirements contained in the system as a whole, and the specific requirements that derive from the content of each of them.

It is necessary, above all, that they be scientifically grounded, and that they conform to the content of the economic categories whose interrelations they are describing.

Economic norms are formed in the process of preparing plans on a base of scientifically developed methodological concepts and principles, and their basis has an objective content -- they reflect and quantitatively describe truly existing links and relations in the area of production, distribution, exchange, and consumption.

The broad use of scientifically grounded norms is a highly important means of countering manifestations of subjectivity in management and planning, and in evaluating the activities of productive units. They also serve as the criteria of the efficient utilization of labor, material, and financial resources.

The use of economic norms creates the conditions for avoiding an approach to planning at the so-called achieved level of indicators. However, this has still not occurred, mostly because of shortcomings in the norms themselves, and above all in growth norms. We believe that these norms are being constructed by managers who are attracted more by the simplicity of the estimates than by their actual economic content. The fact is that with growth norms the interrelation of economic categories and the indicators corresponding to them

are replaced by the interrelations of their growth portions. However, the interrelations of the phenomena as a whole do not coincide with their growth portions, either qualitatively or quantitatively. It appears at first glance that growth norms stimulate an increase in the pace of economic growth. But in fact their stimulating role is inadequate. For example, with an growth norm of 0.22 percent for the wage fund for each percent of increase of output when the growth rate is 6 percent, the wage fund will increase by 1.32 percent per year, i.e., 98.7 percent of it will be formed from the level reached previously. As a result, there will be no decline in the attained-level approach.

There is still another argument on behalf of growth norms: it is easy to ensure their stability over the course of a year. But this virtue of growth norms is just another manifestation of a shortcoming inherent in them: when they are used the wage fund bears little relation to the results of activities in the current period, since it is almost wholly determined by its size in the previous year. Adjustments of the previous (base) year's wage fund are insignificant. As a result, enterprises are virtually guaranteed a wage fund of the size they previously attained.

Therefore, norms must be established in such a way that an enterprise will be guaranteed even the base wage fund only for a specified (for example, the branch average) rate of increase in productivity. The presently existing requirement to maintain the average annual increases in labor productivity that developed in the preceding five-year plan does not weaken, but rather strengthens, the attained-level approach. Moreover, there are no grounds for believing that the average annual increase in labor productivity in an on-going five-year plan corresponds to the actual capabilities of the enterprises. Here it is necessary to proceed from the normative approach to the evaluation of the indicators and their conformity to social requirements.

Growth norms noticeably reduce the concern of enterprises to reduce production costs. Although the norm for the increase in the material incentive fund is quite impressive -- five percent for each percentage point by which production costs are reduced -- it only seems that way. Normally operating enterprises that do not deliberately insert an artificial cost reserve in the plan production cost of their goods to ensure themselves an easier time in the future reduce production costs by 0.6-0.8 percent annually, and this has little impact on the material incentive fund. Another factor moves into the foreground -- maintaining the base fund for material incentive, i.e., consolidating the rates and level achieved previously. Naturally, there is no question of ignoring the achievements of previous years and forcing both the enterprises that have done well previously and those that have done poorly to start equally at zero. However, the effect of the results of previous years when setting the size of wage funds and material incentive funds should not be so overwhelming when compared with the indicators achieved in the plan year.

The effectiveness of growth norms and their stimulating role is considerably less than that of norms calculated on unit of output in natural or cost terms. It is therefore desirable for the future, when converting branches to the new management conditions, to specify as a minimum requirement that a base wage

fund, material incentive fund, etc. can be maintained for a specified improvement in indicators or for achieving the average branch indicators, rather than being restricted to previously achieved levels. We believe that in their present form growth norms reinforce the attained-level approach and do not meet the goals for improving the economic mechanism that were established by the 27th CPSU Congress.

Effective employment of economic norms requires them to be stable. This is normally understood to mean that norms do not change during a five-year plan: naturally this does not means that they must be the same in every year of a five-year plan, but that the norms established for each year prior to the five-year plan do not change. Unfortunately, this if far from being fully achieved, since we have not been able to transform the five-year plan into the main form of managing the economic activities of enterprises and associations.

This refers mainly to norms for the distribution of profits, which has an important role in regulating the financial interrelations between enterprises and the state budget. It is difficult to ensure the stability of this throughout a five-year plan, since the prerequisites for it have not been created: there is no stable five-year finance plan or financial reserves of adequate size, too much relative weight is given to enterprises that do not fulfill their budgetary plans for profits and payments, and we have not been able to eliminate numerous instances of overpayments to wage funds and overruns in estimated construction costs.

There are many instances of changes in norms in the course of a year, and this is completely unacceptable. A collective's confidence in the stability of norms and of the new management system as a whole is an important prerequisite of this approach to the better utilization of production reserves.

An enterprise's working conditions are constantly changing: there is updating of the product mix, of equipment and technology, and of the makeup of resources employed and production costs, and other developmental factors also change. It is well known, however, that any developing system tends objectively toward stability and decreased influence from factors of indeterminacy. And it is the task of higher authority not to impede this but to facilitate it in every way. It is essential above all to ensure the stability of the most important conditions for the effective operation of enterprises -- coordination between the suppliers of material resources, the customers for the product, and the state budget. The normative principle of regulating the activities of enterprises itself facilitates the solution of the problem, but with one necessary prerequisite -- stability of the norms. By varying in the course of a year they lose the nature of norms and are changed from objectively determined means of influencing enterprises into purely subjective means, they subordinate their activities, not to social requirements but to the immediate interests of upper management, and they redistribute the results of production to the benefit of poorly functioning enterprises. If we are to gradually create conditions for the stability of norms over the course of five years, we must certainly guarantee it for one year.

With regard to norms for the formation of funds for economic stimulation, this

problem has basically been solved. As a rule, these norms are stable, and do not vary even in the course of a five-year plan. Norms for forming the wage fund are also stable, and are updated only in rare cases at the request of enterprises that can prove the need for changes, or at the discretion of ministries to correct errors that were made. There must be thorough analysis of causes requiring an adjustment of norms, in order to prevent them in the future.

There would not be any instances of norm adjustments at the request of enterprises, if the latter took part in the formation of norms, which is not the case today. Ministries, either independently or with the aid of their branch institutes, work out the norms for forming the wage fund, and enterprises generally receive them in finished form, without any of the computations, premises, or even explanations. In principle, a norm for a wage increase could naturally be reduced in the course of a five-year plan, but the amount of reduction should be well grounded and be the topic of open discussion, like any other item of managerial practice. So far the interrelations between enterprises and ministries have not undergone any substantial changes. Even the norms aimed at economic forms of interrelation between enterprises and higher authority are still presented to the former by administrative order, without computations or premises.

This procedure would be understandable if it were a matter of norms for an increase in material incentive funds or sociocultural measures and housing construction, with are the same for several branches. But norms worked out by ministries should not be kept secret under seven seals from enterprises right up to the time they are approved.

It should be noted that violation of the principle of stability of norms has become an increasingly rare occurrence. And the fact that the stability of economic norms is ensured in the majority of cases has a positive effect on the operation of enterprises. They can more confidently plan their activities and know what they can count on a year or two later, and they are better able to carry out specific measures in the area of improving wages and bonuses, and satisfying the social needs of the collective for the formation and implementation of programs of a sociocultural and athletic-educational nature.

Still controversial is the matter of the advantages and disadvantages of whether to employ the same norms for all the enterprises of a branch or use differentiated norms. The arguments made in the past in favor of either common or differentiated norms have now been tested by time and managerial practice.

Most of all, the variation in content, purpose, and conditions of forming economic norms requires a separate solution to this problem for each of their forms. For example, there can be no doubt that norms for the distribution of profits or for deductions from profits for the budget must be differentiated under today's conditions. At the same time, no substantial arguments have arisen against single norms for increasing a material incentive fund for fulfilling contract obligations for deliveries (15 percent), or reducing it for non-delivery.

However, there are serious objections to employing the same norms for all the enterprises of a branch for the formation of the wage fund or the material incentive fund. This is not a matter of a technical question or a method of defining one norm or another, but it is about the complex economic problem of how in the final analysis to deal with the objective economic laws of socialism in managerial practice. For the activities of our economy to take account of the objective laws of socialism means chiefly to create equal opportunities for all enterprises, especially with regard to obtaining the share of the national income they have earned. The socialist principle of distribution according to work must apply not only to individual workers, but also to labor collectives and enterprises: those who make a greater contribution to the generation of the national income have the right to claim a larger share of it.

Is this principle being observed when the same norms for the formation of the material incentive fund are applied to all enterprises? At first sight, yes. But only at first sight, since the conditions in which enterprises find themselves are not equal, and to offer them equal opportunities their norms should be differentiated.

Above all, with equal norms, the results of the activities of enterprises in previous years are completely ignored. It is obvious that an enterprise that has been operating well over several years and has noticeably decreased the production cost of its output or achieved high growth rates of 8-10 percent annually has fully utilized its reserves, and it will now be more difficult for it to achieve such results than for an enterprise that operated at an easy pace in the preceding period and has more unutilized reserves. But they are given the same norms for forming the wage fund and the material incentive fund. It is clear that the well functioning enterprise is being economically penalized and put in a worse position, and the poor performer in a better one. Therefore, if growth norms exaggerate the role of previous operating achievements (just as they do shortcomings), the use of the same norms for all enterprises completely ignores the results of activities in previous years.

We must not fail to consider also the production specifics of enterprises. Among the specifics that apply to the norms for an increase in the material incentive fund against a reduction in production costs are the cost structure and type of production. For example, in their cost makeup enterprises differ as to the proportional weight of components and semifinished items: at one enterprise it may amount to 10 percent, and at another, 40 percent. Obviously, they do not have the same capabilities of reducing production costs. At the first plant possibilities of realizing economies have already been 90 percent realized, but only 60 percent at the second plant. It is more difficult for an enterprise with a large ratio of purchased components to achieve each percentage point of cost reduction per ruble of output, and a higher value should be given to this.

The type of production is also very important. Enterprises with individual or small-series production and a large and frequently changing product mix have more opportunities to reduce production costs than enterprises with

large-scale assembly-line production and a small and relatively stable product mix. For example, the large-scale assembly-line Bakkonditsioner plant, which has a strictly regulated operating procedure, reduces production costs by 0.3-0.4 percent annually, while the Azelektromash plant along side it is able to reduce them by two or three percent. To achieve savings in resources the first of them must exert considerably greater efforts and utilize resources intensely. But its material incentive fund increases by only 1.5-2 percent annually, while at the second it increases by 10-15 percent.

This does not mean that common norms do not have positive aspects. They have. Primarily, they preclude elements of subjectivity and opportunities for one enterprise to obtain better norms from a ministry at the expense of the others. But differentiation outweighs all these advantages.

It is very difficult to differentiate norms among enterprises: there must be grounds for setting a high norm for one enterprise and a low one for another. Ministries that assign enterprises the same norm for forming the wage fund (for example, an increase of 0.27 percent in the wage fund for one percentage point of increase in output) are following the path of least resistance. This is also facilitated by existing methodological documents and instructions. For example, the Standard Regulations for forming the wage fund state that a ministry may assign differentiated norms to enterprises and associations, but nothing is said about the principles and factors for differentiating them. Other regulations and instructions are similar in nature. Despite the fact that the System of Advanced Technical-Economic Benchmarks and Norms approved by USSR Gosplan on 11 January 1980 provides that "benchmarks and norms must be formed on the basis of economic and engineering calculations, and must not be determined simply on the basis of the dynamics that have developed," (Footnote) ("Improving the Economic Mechanism. Collection of Documents," Moscow, PRAVDA, 1980, p. 58) procedures for applying these calculations to economic norms have not been worked out. They have, however, been assigned and successfully used for norms of the expenditure of raw materials, other materials, and fuel and energy resources. It is naturally more difficult to set up economic norms than to define norms for the expenditure of raw materials and other materials per unit of production, but that is no reason to reduce requirements on the degree of validity of economic norms, and therefore for the methodological documents that define the procedures for working out and applying each type of norm.

With the use of economic norms favorable conditions occur for reducing the list of directive indicators and the sphere of administrative interference in enterprises' production-economic activities. With the availability of norms for forming the wage fund, targets for cutting down on administrative-managerial personnel have no economic point. The real importance of this work at the present time is to realize savings in a specific part of the wage fund, and for this administrative measures are not needed at all. It is sufficient to listen to the views of enterprise managers, who are unanimous that the total of required savings in the figures for an entire five-year plan should be taken into account when forming norms for the wage plan, but precisely how the required savings will be achieved is the business of the enterprise.

One of the basic economic norms is wholesale price, which is the norm for socially required labor costs. Using the price function as an economic norm has dual importance. In the first place, price as a norm for costs is a kind of press that forces enterprises to lower production costs. The dynamic effect of prices on means of production is evidence that prices are not used enough for this function. In trying to create self-financing conditions for the activities of enterprises, pricing agencies rarely pay attention to the excess costs of poorly functioning enterprises, and this guarantees conditions for enterprises of average efficiency that do not force them to constantly improve production. The obvious way out of this situation is to abandon the spurious requirement of using prices to create self-financing operating conditions for enterprises, since that conflicts with price's function as the norm for costs. Prices should not be accommodated to the capabilities of enterprises, but enterprises should be steered toward taking account of the requirements imposed by prices. There must also be wider use of financial levers such as rental payments, differentiation of norms for distributing profits, and periodic (every five years) reduction of wholesale prices by 10-15 percent. The productivity of social labor will grow and the cost per unit of production should decline, but if this process is not reflected in prices, that means that when they were formed the requirements imposed on economic norms were disregarded.

In the second place, the use of price as an economic norm has made it possible to avoid many of the difficulties of introducing new equipment. Prices are presently focused on actual rather than normative costs, and if a new and more improved item costs less, then the price of it is immediately reduced, with all the consequences that were discussed at the 27th CPSU Congress. But price is a social norm, and should not always mechanically follow actual costs, which could even be lower than the norms. If the parameters of the item have not worsened, or if they have even improved, its consumer value has increased, so why should the wholesale price be mechanically reduced? The reduction of individual labor costs certainly does not mean a simultaneous and equal reduction of socially required costs.

On the whole, the serious difficulties presently existing for the output of new and improved and, at the same time, cheaper goods, which were discussed at the 27th CPSU Congress by Academician A. P. Aleksandrov, can be completely overcome. They are caused by a formal approach to the solution of economic problems. The problems of enterprises producing new and cheaper goods are generally caused, not by a reduction of profits (profits are usually maintained at the previous level), but by shrinking volumes of output and slowdown in the pace of production. But this decline is merely apparent: the real wealth of society is not determined by considerations of price, but by their natural and material content. And if new articles are better than previous ones, but cheaper than them, then the actual quantity of consumer value produced has not decreased, but only the monetary value of them has declined (by the current method of reckoning). The way out of this situation is not difficult. For example, there is nothing to prevent the translation of last year's data into the new prices. If the price of article A was 1,000 rubles last year, and it is being replaced this year by improved article B at a cost of 800 rubles, it is enough to recompute last years's data on the base of the new

article's price, and there will be no problems -- the amounts will increase and the pace will be maintained.

This approach is also theoretically correct: cost is defined by the conditions not of producing [proizvodstvo] articles but of reproducing [vosprizvodstvo] them. It is of no importance that article A used to cost 1,000 rubles, since the new article is better, and this automatically causes a partial devaluation of the older item. The present cost of it is not even 800 rubles, but something less, and therefore the proposed recomputation of last year's data, not only does not increase the actual pace, as would be expected, but somewhat slows it down. There are other alternatives that have the same merit, that could be suggested for solving the problem (lowering a substantial barrier in the path of new equipment), but they have the same failing -- they contradict present instructions, which are still more powerful than sound thinking.

Among norms are standards, which are evoked, like other norms, to reflect social requirements for goods (their quality, and their technical-economic parameters). But they by no means always reflect them. Many standards are still not normative in nature. Social requirements for goods are mostly consumer demand. Therefore, if standards are to be regarded as norms, they should not be based on the capabilities of the producers, but on consumer demand. Moreover, in many cases a number of parameters for requirements for goods (precision, material consumption, and energy consumption) are lowered from the fear that the producer enterprises will not be able to meet them anyway. This practice is not only wrong in theory, it is also detrimental.

The employment of economic norms makes it possible, without administrative interference, to adopt intensified plans for enterprises, which exceed control figures imposed from above. It would be a good idea to utilize the experience of the Sumi Machine Building NPO [scientific production association] imeni M. V. Frunze, where each subunit determines its normative capabilities for the output of goods. The work fo the subunits is evaluated not by the percentage of the plan fulfilled but by the degree to which normative capabilities have been utilized. Fulfilling the plan by 100 percent is a prerequisite for a positive evaluation of the work, but the evaluation itself and comparisons between shops and sectors is accomplished by the degree to which they have utilized the potential (normative) capabilities. The operating experience of this NPO has confirmed the effectiveness of the normative evaluation of the activities of production units. It is unquestionably applicable to enterprises as a whole.

These are a few conclusions from analyzing the practice of forming a system of economic norms, which could facilitate further improvement in planning and in the economic mechanism.

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TRENDS, PROBLEMS IN INTENSIFICATION DRIVE EXAMINED

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[Article by the observer. "Intensification: Development, Problems"]

[Text] The task which has been advanced by the 27th CPSU Congress of accelerating the country's socioeconomic development is directed toward carrying out profound transformation in the productive forces and in production relations and toward fuller utilization of the capabilities and advantages of the economic system of socialism.

Establishing an economic strategy over the long run in the field of increasing the efficiency of social production consists above all of reaching the highest world level with respect to labor productivity. Over the next three 5-year planning periods it is to be raised 2.3-2.5-fold. This means taking a decisive step in performing the task left as a legacy by V.I. Lenin, which is to achieve and then exceed the development of the capitalist countries with respect to that important indicator in the economic competition of socialism with capitalism. Even during the 12th Five-Year Plan the entire growth of the national income is to be achieved solely by raising labor productivity.

The new targets for intensification involve performing such tasks as radical improvement of the utilization of raw materials, supplies, fuel, and energy--making their conservation the predominant source (75-80 percent) of meeting additional needs of the economy for those resources; raising the technical level and quality of the product, which is expected to become a new and increasingly important factor in speeding up economic growth and reducing costs in all sectors; retooling of the economy, above all of enterprises already in place; improvement of the utilization of the productive potential in place; reduction of project construction and reconstruction time by between one-third and one-half over the next decade; and the consequent achievement of a change of direction in the behavior of the output-capital ratio--stabilizing it in the first half of the nineties and increasing it in the subsequent period.

Practical realization of the party's plans is based on the mighty productive potential and new capabilities for its improvement by using the advances of the present-day scientific-technical revolution and all prior experience in building socialism, a thorough revamping of the economic mechanism, achievement of an attitude in people of stewardly interest in production, and development of the workers' creative initiative.

In analyzing the results of economic development over the last 25 years particular attention was paid at the 27th Party Congress not to the achievements, which are beyond question, but to discovering those causes, especially subjective ones, which have been holding back economic growth. The spirit of constructive criticism which prevailed at the congress is orienting the party, the leadership and the personnel of all components of the economic administration to master present-day methods of operation, which guarantee mobilization of potential for speeding up development of Soviet society. A demanding and exacting approach to evaluating what has been done, which is conducive to a psychological reorientation, clears the way to the future.

It is meaningful on that basis to examine more concretely the results of the 11th Five-Year Plan. To be specific, it is important to discover what was done in that period to raise the efficiency of the Soviet economy, where and why the lag occurred, and how the processes of intensification developed over time, to single out new factors and trends, and to determine what was constructive and what needs to be developed and strengthened.

On the Results of the 11th Five-Year Plan

In the seventies the difficulties in the economy, as noted in the Policy Report of the CPSU Central Committee to the 27th Party Congress, began to grow, and the rates of economic growth began to drop perceptibly. As a consequence, the tasks set by the CPSU Program and even the lower targets of the last three 5-year periods, including the 11th, went unfulfilled. The main cause of the lag lay in the fact that a political assessment was not made in good time of the changing economic situation, the full severity and immediacy of the economy's conversion to intensive methods of development was not realized, and vigorous use was not made of the attainments of scientific-technical progress in the economy. This fundamental and severe party appraisal also applies to the performances of all administrative components, including planning agencies. There were few appeals and talks about the need to raise the rate of scientific-technical progress and efficiency of social production, and for all practical purposes matters stood at a standstill.

And although efforts have been undertaken recently to correct the situation, they have not altogether managed to perform this task. Production of most products of industry and agriculture in the 11th Five-Year Plan did not reach the targets outlined; assignments were not fulfilled for a number of the most important qualitative indicators. The faster growth of labor productivity envisaged for the 5-year period was not achieved. Its rate in the economy and in the industrial sector remained at practically the same level as in the 10th Five-Year Plan: the productivity of social labor in the 1981-1985 period rose 16.5 percent, as against 17 percent in the period 1976-1980, while in the industrial sector the figure was 17 percent for each of these periods. In the socialized sector of agriculture its growth rate dropped to less than half of what it had been.

The increased role of the factor of labor productivity in economic development should be noted. In the 11th Five-Year Plan its increase accounted for 88 percent of the growth of the national income produced (as compared to 78

percent in the previous period), for 86 percent of the growth of industrial output (as against 75 percent), for the entire growth of the volume of traffic in railroad transportation, and for the entire increase in the output of agriculture (in this sector there has been a reduction in the total size of the labor force over the entire postwar period).

Examination of this problem cannot be limited solely to an enumeration of the facts and the numerical comparisons that lie on the surface, bypassing an analysis of the causes that have brought them about. In the 11th Five-Year Plan the slowing down of growth rates and the decrease of the absolute growth of labor resources, which took shape even in the previous decade, continued. The increase in the relative share of the factors of labor productivity in increasing the volume of output, which we have noted, in this case mainly reflects the influence of the growing exhaustion of the sources for extensive growth of the labor force. It has not been reinforced, as noted above, by a speeding up of the pace of labor productivity, which predetermines nonfulfillment of the targets of the 5-year plan for this indicator in most sectors. The conclusion is thus unambiguous: the growth rates of labor productivity, as the principal indicator of the efficiency of social production, are not in line with the tasks that have been set or the capabilities for increasing it, the potential which has been built for intensification--the technical adequacy of production, nor the adequacy of physical resources and scientific personnel.

This discrepancy is manifested still more sharply in a geographic breakdown. As follows from the table presented below, the growth rate of the productivity of social labor varied substantially from one union republic to another over the period 1981-1984. Its higher growth rates were observed where a substantial rise of this indicator was achieved in that period in agriculture (UkSSR, BSSR, MSSR, and LaSSR). The lowest growth was by contrast observed in the republics of Central Asia, where labor productivity dropped in agriculture. At the same time, in KaSSR the overall level of labor productivity in the economy dropped over the period 1981-1984.

	Growth Rate of Labor Productivity by Sectors, %			
Republic	Productivity of Social Labor	Industry	Agriculture	Construction
USSR	13	13	12	11
RSFSR	13	13	15	12
Ukrainian SSR	19	11	21	11
Belorussian SSR	25	15	38	13
Uzbek SSR	3	3	-16	4
Kazakh SSR	-3	7	-20	11
Georgian SSR	17	13	14	15
Lithuanian SSR	22	16	38	10
Moldavian SSR	25	19	25	12
Latvian SSR	17	13	29	15
Kirghiz SSR	--	15	-4	7
Tajik SSR	--	4	-12	6.8
Armenian SSR	14	12	13	18
Turkmen SSR	--	5	-10	7
Estonian SSR	15	11	8	14

The impact of the rise of labor productivity on the growth of industrial output varied greatly from republic to republic. In UkSSR this factor accounted for the entire growth of output, in RSFSR 94 percent, in the Baltic republics 90 percent and higher, and in BSSR, AzSSR, and MSSR--75 percent. At the same time, in UzSSR, TaSSR, and TuSSR the growth of the labor force was the predominant source for expansion of industrial production. In KaSSR and ArSSR it accounted for about half of the growth of industrial output. To a certain extent peculiarities of the regional balance of labor are manifested here: high rates of growth of the population of working age in the republics of Central Asia and the Transcaucasus and an availability of labor resources not employed in social production. But the slow rise of the technical level of production and shortcomings in the organization of work that reduce labor productivity were manifested even more. Nor was the necessary change of direction achieved along another line of intensification--reduction of the materials intensiveness of output. The reduction in the extensiveness of sources was manifested over the last 5-year period in a sharp slowing down of the growth of the most important types of physical resources. For instance, fuel extraction increased by 241 million tons of standard fuel, as against 324 million in the 10th Five-Year Plan. At the same time, there was a reduction in petroleum extraction (by 11 million tons). In ferrous metallurgy the production of finished rolled products of ferrous metals increased only 5 million tons over the 5-year period. The reduction in the volume of timber supplied to sawmills and the output of lumber, which began earlier, continued. Under those conditions satisfaction of the economy's needs for fuel, raw materials, and structural materials began to depend more on their conservation.

A drop in materials intensiveness made it possible to reduce consumption of resources relative to the level of inputs in 1980 by more than 50 billion rubles over the 5-year period. This saving accounted for almost half of the entire growth of consumption of fuel, energy, and rolled products of ferrous metals. Still the rate of conservation of physical resources and the growth rate of labor productivity did not rise. The materials intensiveness of the social product (not including depreciation) dropped 2.7 percent over the 5-year period, i.e., in practically the same proportions as in the previous period. Metal intensiveness of the national income produced dropped 10 percent (as against 13 percent in the 10th Five-Year Plan) and energy intensiveness 4.5 percent (as against 5.8 percent). The targets for conservation which were outlined by 5-year and annual plans regularly fell short of fulfillment. Consequently, with respect to resource conservation the economy's transition to the strategy of intensification has also not been accomplished with enough consistency or vigor.

In essence the situation that took shape in the seventies concerning utilization of the production potential in place has not changed. While there was a 37 percent increase of the economy's fixed productive capital, the production of the national income rose 19 percent, which signifies a reduction of more than 13 percent in the output-capital ratio from 1980 to 1985 (approximately the same proportions were achieved in the previous, 10th, 5-year planning period). Its drop has continued in all the principal sectors.

It should be noted that the shift coefficient of the operation of metal-working equipment in machinebuilding remained at the 1980 level (1.37) in 1985. But this is an average reflecting the load on all equipment, old and new, including up-to-date machine tools with numeric programmed control, "machining centers," etc. Consequently, the output from the active part of fixed capital is still much lower than its productive capacity.

Adverse trends were also manifested in the investment sphere, which is expected to achieve expansion and technical updating of the country's productive plant. The growth of capital investments in production, as in the seventies, exceeded the growth of the national income. Its growth per ruble of costs continued to drop. But this drop was less in the 11th Five-Year Plan (16 percent) than in the 10th (24 percent). The latter is related mainly to the slowing down of the growth of the total volume of capital investments by comparison with the previous period. There were no appreciable shifts in the efficiency of construction itself. The drop in the growth of the national income per ruble of capital investments committed to production occurred because of the persistent squandering of resources, the lengthy project construction time, and also because the amount of unfinished construction remains considerably above the allowance. Although success was achieved in reducing its ratio to the size of annual capital investments from 87 percent at the beginning of the 5-year period to 70 percent in 1984, the total size of unfinished construction still substantially exceeds its allowed standard level.

The reasons for the slow rates of scientific-technical progress and the rise of efficiency lie mainly in oversights in planning and defining the prospects for development of individual sectors. This was manifested, for example, in the delayed retooling of ferrous metallurgy and construction on the basis of present-day technical advances, in the "tractor falloff" in agricultural machinebuilding, in the incompatibility of capacities in the chemical industry, in mismatches in development of the plant and equipment of agriculture and the agroindustrial complex as a whole, and so on. Moreover, the planning process itself was not based fully enough on scientific-technical progress, mobilization of untapped potential, and intensification (although the Methodological Instructions of USSR Gosplan for Drafting State Plans certainly did reflect these requirements and the relevant sections were singled out in the plans: scientific-technical progress and raising the efficiency of social production). In practice emphasis was placed primarily on detailing the assignments, expanding the list of indicators broken down by ministries and enterprises, rather than on improvement of their economic soundness and incentives for fulfillment.

As is well known, during the 8th Five-Year Plan a decentralized procedure was adopted (to the enterprise level) for determining planning indicators for the rise of labor productivity and reduction of production cost in industry and construction. The course toward expanding rights and strengthening independence was plotted correctly. But application of the new methods of conducting economic activity in that period did not afford the anticipated results for a number of reasons.

First of all, the economic conditions had not been created for invigoration of the effort of enterprises to mobilize untapped potential. Even during the 9th Five-Year Plan the real rights of enterprises in planning these indicators and in formation and use of the production development fund and other economic incentive funds were once again restricted. In addition, higher-level management bodies broke down an increasing number of indicators to the level of associations and enterprises, calling them accounting indicators, though they rigidly regulated their production activity and economic activity. The return to centralized assignment of the indicators of efficiency, to expansion of the list of various types of supplemental targets, especially for conservation of physical resources, was gradually indicated. Attempts to neutralize the aspiration of ministries and enterprises to set plans too low by introducing special incentive funds which did not depend upon the principal indicators of economic activity were not successful. The situation called for changes, but a distinctive psychology represented by the idea of improving things without changing anything became predominant.

It became ever more obvious that the tasks of increasing efficiency would not be performed solely by strengthening the principle of centralism, without broadening the rights and motivation of enterprises to achieve higher quantitative and qualitative indicators. The approach based on gross physical output and the cost approach to drawing up the plan and to evaluation of its fulfillment opened up opportunities for ministries and enterprises to increase the volume of production by extensive methods, again by increasing the cost of the means of production and a growth of inputs, instead of initiating an exploration for strategies that would achieve intensification. Hopes of overcoming this by strengthening the regulation of economic activity went unfulfilled. The task of improving the economic mechanism in all its components (planning, incentives, the organizational structures of management) became more urgent with every 5-year plan. Now we are essentially talking about the need for a radical reform, about shaping an economic mechanism for intensification.

Some New Trends

Trends which had taken shape in previous periods, as we mentioned above, and also new ones (good and bad) were present in the country's economic development during the 11th Five-Year Planning period. Among the latter, for example, were certain shifts in reduction of production cost, improvement of the relationship between the growth of wages and the growth of labor productivity, and a slowing down of the rate of turnover of physical resources and working capital. The 5-year planning period which is coming to an end, by contrast with a number of previous ones, has been a period of profound qualitative and structural changes, many of which have not yet been completed. Two subperiods of approximately equal length were quite noticeably distinguished within the period 1981-1985: the first years and the second half (since 1983) of the 5-year period. At the outset the processes manifested during the seventies were generally dominant: the slowing down of rates of development, deterioration of a number of economic indicators. But even by the middle of the 5-year period, thanks to measures taken by the party to eliminate "bottlenecks," to strengthen organization and discipline, and toward fuller utilization of the

advantages of the planned socialist economy, the situation in the economy was corrected in many respects. All of this was reflected in the dynamic behavior of efficiency indicators, which on the whole improved noticeably.

In the second half of the seventies production cost indicators dropped off sharply. Inputs per ruble of commodity output of the industrial sector hardly dropped at all during the 10th Five-Year Plan (less than 0.5 percent, which is considerably worse than in the 9th). The production cost of construction and installation work and of the output of kolkhozes and sovkhozes increased.

In the industrial sector costs per ruble of commodity output dropped 1.4 percent in the 11th Five-Year Plan, or threefold more than over the period 1976-1980. This was achieved mainly by a reduction of the production cost in manufacturing branches, while production cost increased as before in the extractive and raw materials branches. There was also a slight reduction of the production cost in the construction sector, although its increased cost in the previous period had not been made up by any means. As for agriculture, here the costs continued to rise. The measures carried out in accordance with the decisions of the May (1982) Plenum of the CPSU Central Committee to further improve the physical plant and equipment of the agroindustrial complex and to improve economic relations in it proved to be inadequate to stabilize and reduce the production cost of agricultural output.

In our view an examination should also be made of the aspects of profitability, one of the summary cost-accounting indicators of the efficiency of performance of associations and enterprises. On the outside its growth rate in the industrial sector seemed more favorable in the 11th Five-Year Plan than in the 10th, when profitability dropped from 15.8 percent in 1975 to 12.2 percent in 1980 (in 1984 it was 12.1 percent). But this situation was largely brought about by the rise of wholesale prices as of 1 January 1982 (but in spite of the higher prices, the coal industry continued to operate at a loss). In a majority of the branches of the industrial sector, except for machinebuilding, the chemical industry, and the petrochemical industry, profitability dropped even after adoption of the new wholesale prices. This occurred mainly because of the drop in the output-capital ratio, a slowing down in the rate of turnover of physical assets and working capital, and also because of underfulfillment of planning targets for profit. The impact of the reduction of production cost on profitability was on the whole manifested very little. The need to strengthen the role of this source of growth for profit and for raising profitability was felt everywhere.

Profitability also dropped in other sectors of the economy. For instance, up until 1983 kolkhozes were operating at a loss which was eliminated only by the next rise of purchase prices for agricultural products. At the beginning of the 5-year period kolkhozes had practically no profit, and gross income was used almost entirely for remuneration of labor. The rise of purchase prices increased their accumulation; in 1984 net income already amounted to more than a third of the gross income of kolkhozes.

In the middle of the 5-year period a certain improvement was outlined in the relationship between the rise of labor productivity and the growth of wages as

compared to the rates that formed in most branches during the seventies. For instance, in the 10th Five-Year Plan labor productivity rose at a higher rate only in the industrial sector. But in the first years of the 11th Five-Year Plan wages increased faster than labor productivity in the industrial branches (the ratio between their growth rates was 1.18). The reasons were that the targets for labor productivity were not fulfilled, and the planned wage fund was exceeded. Since 1983 industry has been successfully coping with the assignments contained in annual plans for raising labor productivity and has been monitoring more closely adherence to limits on staff size and the planned wage fund by associations and enterprises. As a consequence, the rise of labor productivity was faster not only in the period 1983-1985, but also for the 5-year period as a whole.

This relationship has also been normalized in railroad transportation, even though in 1981 and 1982 wages there rose, while the level of labor productivity dropped. This process took place in more complicated fashion in the construction sector, where in the second half of the 5-year period they managed to achieve approximately equal growth rates of labor productivity and wages. Among the major sectors of the economy this relationship continues to be least favorable in agriculture.

Shortcomings in dealing with these problems have been gradually overcome since the middle of the 5-year period. The first shifts have taken place, but in many branches the acuteness of the problems has still not been corrected, especially the rate of turnover of physical resources and working capital, which is still slowing down.

In the tenth 5-year period working capital consisting of stocks of finished goods and supplies increased 37 percent, whereas the gross social product increased 25 percent (in current prices), and the ratio between their growth rates was 1.48. In the period 1981-1984 the volume of inventories grew another 38 percent, while the gross social product increased 25 percent, the relationship between their growth rates was already 1.52 (it is still higher if the comparison is made to the rate of the social product in comparable prices).

The slowing down of the rate of turnover in the seventies spread to all sectors of the economy. In industry the volume of output increased in the period 1981-1984 at an average annual rate of 3.6 percent, while physical inventories representing working capital increased 7.9 percent, or 2.2-fold faster. The accumulation of above-allowance inventories occurred with respect to all their components. This resulted from the increase in the length of the production cycle and the time required to deliver products to consumers, from the diversion of resources to inventories because of the instability of the supply of materials and equipment and violations of contractual obligations by enterprises, from low product quality, from a slackening of cost accounting (khozraschet), and from other causes reflecting a low level of economic work in a number of branches.

The rate of turnover reflects to a greater degree than other efficiency indicators the impact of factors manifested in the spheres of exchange and distribution. In this sense a lengthening of the periods of time that are required

for the circulation of physical resources and financial resources indicates the need to put order in their use not only in the production process itself, but also in systems for the supply of materials and equipment, for purchases of agricultural products, the system for wholesale and retail trade, and the system for appropriation and credit financing.

Particular emphasis should be paid to strengthening constructive trends in the rise of the efficiency of socialist economic activity in the second half of the 5-year planning period, which were manifested along most of the lines of intensification. One can get a distinct idea about the shifts taking place and about their scale by comparing figures on the dynamic behavior of the principal indicators of the efficiency of social production for the first and second halves of the 11th Five-Year Plan (in percentage):

Indicator	1981-1982	1983-1985
Productivity of social labor	2.9	3.2
Share of the growth of the national income produced resulting from higher labor productivity	78.0	88.0
Production of the national income per ruble of fixed productive capital	-3.0	-2.7
Metal intensiveness of the national income produced	-3.0	-1.3
Energy intensiveness of the national income produced	-1.7	-0.8

As is evident from the figures given, over the period 1983-1985 the growth rate of labor productivity speeded up in the economy, the share of this factor in the growth of the national income increased, and the drop in the output-capital ratio slowed down somewhat. The results of this period seem more modest in reduction of the material intensiveness of output as compared to the beginning of the 5-year period. Changes in other areas of intensification can be followed taking the example of the industrial sector (average annual rates of change in percentage):

Indicator	1981-1982	1983-1985
Labor productivity	2.40	3.60
Share of the growth of output resulting from the rise of labor productivity	75.00	86.00
Growth of wages percentage of growth of labor productivity	1.18	0.63
Output per ruble of fixed productive capital	-3.40	-2.30
Reduction of production cost	-0.10	-0.40
Change of profitability	0.20	-0.20*
Growth of output (in comparable prices) relative to the growth of working capital represented by stocks of finished goods and supplies	0.33	0.58*

* 1983-1984.

In industry, the leading sector of the economy, favorable shifts in the rise of efficiency of economic activity were expressed far more distinctly. The

average annual growth rates of labor productivity over the period 1983-1985 increased 1.5-fold over the first half of the 5-year period, and as a consequence the share of this factor in the growth of output increased 11 percentage points. Labor productivity grew at a faster rate than wages; the ratio between the growth rates of these indicators improved almost twofold. The drop of the output-capital ratio was slowed by approximately one-third, and the drop in the production cost of industrial output speeded up fourfold. The rates of industrial production increased, while the growth of stocks of working capital slowed down somewhat.

Improvement of the Mechanism for Intensification

The definite improvement of the indicators of the efficiency of social production did not occur in and of itself. It was the result of a great effort made in accordance with the decisions of the 27th party congress and subsequent plenums of the CPSU Central Committee to achieve fulfillment of the planning targets assigned and to improve the economic mechanism and management. This effort was especially vigorous in the middle of the 5-year period, and it is no accident that in the years that followed many constructive changes in the economy were initiated.

In the seventies there was an evident underestimation of the effort to optimalize the use of physical resources (conservation). In June 1981 the CPSU Central Committee and USSR Council of Ministers adopted a decree entitled "On Strengthening the Effort for Conservation and Optimum Use of Raw Materials, Fuel and Energy, and Other Physical Resources." The decree defined steps to increase the output of the final product from the resources available in the economy, by mobilizing internal potential through technical improvement of production, by reducing losses and strengthening the economy regime, and by improving planning and economic incentives.

The new wholesale prices introduced in the industrial sector in January 1982 and the purchase prices for agricultural products introduced in January 1983 helped to strengthen cost accounting and to create more favorable conditions for the operation of enterprises, although the degree of their impact toward mobilizing potential for intensification cannot, of course, be exaggerated. The revision of prices was carried out on the basis of principles which had been formed earlier and did not solve the fundamental problems of improving pricing, especially with respect to stimulating scientific-technical progress, updating products and improving their quality.

Greater attention has also been paid to strengthening contract discipline as a lever for intensification. Evaluation of plan fulfillment so as to take into account obligations to deliver products was adopted back at the end of the 10th Five-Year Plan. At that time maximum proportions of allowable violation of contract obligations at which the plan was still considered fulfilled were introduced and were differentiated by sectors. This procedure turned out to be a compromise and detracted from the responsibility of enterprises for the end results of their activity. In a new decree on this topic adopted in April 1983 the requirements for observance of contract discipline were tightened--the "sanctioned" violations of contracts were reduced considerably.

Throughout the entire 5-year period economic departments, branch ministries, and work collectives made a large and diverse effort with the help of local party and Soviet authorities to organize the fulfillment of planning targets. It is important to note that since the November (1982) Plenum of the CPSU Central Committee the party has adopted a course toward strengthening the level of organization and discipline and toward better utilization of the production potential in place and the advantages of the planned socialist economy.

Along with invigoration of administrative levers, economic means of exerting pressure on violators of discipline were strengthened, and the favorable consequences of this have been obvious. For instance, even in 1983 losses of worktime in industry and construction decreased in proportions equal to their total reduction over the previous 8 years. The social and moral consequences of these measures were equally substantial: a strengthening of order in production and increased responsibility of personnel for performance of their duties.

As the struggle has developed to strengthen work discipline, it has turned out to be necessary for enterprise collectives to have a greater part to play in this and for them to be granted broader rights in organizing the fulfillment of plans and in deciding the issues of economic and social development. In June 1983 the Law on Work Collectives was adopted; it was drafted on the basis of the principles contained in the USSR Constitution and a summary of the experience of advanced enterprises; under it work collectives are granted greater independence in achieving highly productive labor and in increasing the efficiency of economic activity. In addition to administrative accountability, personnel were also made economically accountable for violations of discipline (reduction of leave, temporary transfer to lower-paying jobs, reimbursement of damage incurred by enterprises, etc.).

In September 1983 the Politburo of the CPSU Central Committee took up the question of achieving a faster growth of labor productivity than the growth of wages in industry. Beginning in 1984 industrial ministries were assigned standard ratios between the growth of labor productivity and that of the average wage in their annual plans (bonuses and other awards from the material incentive fund were included in wages). Later the measures worked out were extended to other sectors as well. The faster rise of labor productivity than remuneration of labor since the beginning of the 5-year period was a result of their performance.

The decree of the CPSU Central Committee on further development and higher efficiency of brigade organization and stimulation of labor in industry (November 1983), which outlined measures to improve the procedure for forming brigades, for performing this work in close relation to improvement of intraplant planning, technology, the organization of production, and the system of remuneration and with the spread of brigade cost accounting, has also had great importance.

The strengthening of organization within production itself has been reinforced by measures to strengthen state discipline and improve planning. The line has been pursued toward increasing responsibility everywhere for fulfillment of

the targets of state plans and for overcoming the established practice of adjusting them, which in 1985 was basically abolished.

Fulfillment of state plans improved noticeably in the second half of the 5-year period. In the period 1983-1985 industry overfulfilled the assignments envisaged by annual plans for the volume of sales and the growth rate of industrial production, for the rise of labor productivity, and other important indicators. But the lag that occurred in the first years could not be altogether made up, and as a consequence the national economy did not reach the levels outlined by the 5-year plan with respect to the basic indicators.

The activity of the CPSU Central Committee to provide leadership for construction of the economy in the final stage of the 5-year plan was concentrated more and more on dealing with the fundamental problems of long-range economic strategy, on seeking solutions capable of bringing about qualitative transformations in the economy. This led to defining the prospects for development and new approaches to improvement of the economic mechanism and management.

Use of methods based on target programs has spread in nationwide planning. The 11th Five-Year Plan was notable for the drafting and adoption of a number of long-range comprehensive programs (the food program, the energy program, the program for land reclamation, the program for improvement of machinebuilding, for chemicalization of the economy, for production of consumer goods and services, and for scientific-technical progress of the CEMA member countries). They offered a substantiation of intensification strategies in the relevant groups of branches. Although the time frames of the program extend beyond 5 years and quite often embrace the period up to the year 2000, the first stage in realizing some of them, in particular the food and energy programs, coincided with the years of the 11th Five-Year Plan. The targets arising out of the programs were included in the plans for the respective years. This made it possible even in this past period to make a definite stride toward solving the problems envisaged by the programs, even with respect to increasing the efficiency of social production. The conception of acceleration of the country's socioeconomic development, which was advanced by the April (1985) Plenum of the CPSU Central Committee, and the conclusions of the conference held in the CPSU Central Committee on problems of accelerating scientific-technical progress (June 1985) have had fundamental importance to drafting the party's up-to-date economic strategy. The report of M.S. Gorbachev, general secretary of the CPSU Central Committee, outlined the new approach to the fundamental problems of qualitative improvement of Soviet society, its productive forces, and its production relations and political relations. (Footnote) (Gorbachev, M.S., "The Fundamental Problem of the Party's Economic Policy," "Doklad na soveshchanii v TsK KPSS po voprosam uskoreniya nauchno-tekhnicheskogo progressa 11 iyunya 1985 g." [Report at the Conference Held in the CPSU Central Committee on the Problems of Accelerating Scientific-Technical Progress on 11 June 1985], Moscow, Politizdat, 1985) The proposals advanced at the plenum and conference were made the basis of the drafts of the new version of the CPSU Program and the Basic Directions for the Economic and Social Development of the USSR Over the Period 1986-1990 and up to the Year 2000, which were examined and approved by the 27th CPSU Congress.

The economic mechanism has been undergoing improvement in two directions: a further strengthening of centralized guidance by guaranteeing greater stability and internal consistency of state plans, by concentrating the activity of central planning bodies on solving the key problems; and at the same time through a broadening of the rights and enhancement of the responsibility for fulfillment of planning targets on the part of the primary production unit--associations and enterprises. Paramount attention here has been paid to raising the level of economic work in the economy and to mastering the economic methods of management.

Definite experience was gained in the 11th Five-Year Plan in applying economic norms in planning at all its levels. Steps were taken to guarantee their greater stability and to create conditions making it possible to use more broadly a system of interconnected economic norms in organizing the fulfillment of plans and in setting up cost accounting in branches and at enterprises. The results of experiments along these lines which were conducted from the beginning of the 5-year period were taken into account in defining the conception of improvement of the economic mechanism and in preparing the proposals on specific ways of conducting this effort.

The broadening of the rights of associations and enterprises and the strengthening of their interest in mobilizing untapped potential, in achieving higher quantitative and qualitative indicators, and in drafting and carrying out strenuous plans have taken the leading place in revamping the economic mechanism. These are the central issues in the further improvement of planned management; shortcomings in resolving these issues have been holding back the transition of the economy to the strategy of intensification. That is why the tasks of revamping planning and the entire economic effort in branch ministries, regional administrative bodies and central economic departments have taken on paramount importance.

A fundamental decree on this topic was adopted in July 1983. It defined the basic premises of the new stage of improvement of the economic mechanism which were drafted with the help of a broad range of leaders of enterprises, ministries, and departments of union republics, scientists and specialized practitioners, as well as with help from the critical remarks and proposals published in the press. The task has been advanced of improving planning, of creating conditions which would stimulate good and highly productive work, initiative and socialist enterprise, and which would guarantee an acceleration of scientific-technical progress and intensification of production.

Since January 1984 an economic experiment has been conducted toward that end in five ministries--two all-union machinebuilding ministries and three republic ministries. The experiment's progress has been repeatedly taken up in the party's Central Committee and the government. In 1985 the new conditions for economic activity were extended to enterprises of a number of other branches--machinebuilding, ferrous metallurgy, the food industry, light industry and local indsutry, and consumer services to the public. At the same time, in view of the experience gained, it was deemed advisable to modify certain conditions of the experiment in the direction of strengthening cost accounting, increasing the pressure of the economic mechanism toward speeding up scientific-technical progress, and also in the direction of better appreciation of the

sectoral peculiarities of production. Beginning on 1 January 1986 a third of associations and enterprises have been converted to the new conditions; they now account for more than half of industrial output. Corresponding experiments have also been under way in other sectors of the economy.

The indicators of the economic performance of a majority of associations (enterprises) taking part in working out the new methods of economic activity have improved; there has been an increase in the level of fulfillment of planning targets and contractual obligations, and they have achieved almost the entire growth of output by raising labor productivity. At the same time, in the course of the experiment the capabilities of the new methods have not been duly utilized because the slow restructuring of the work of branch ministries and central economic departments, which did not renounce attempts to restrict the rights of enterprises, were not in line with the new conditions. It also turned out that the incentives envisaged by the experiment for the rise of production efficiency were not always broken down to every section, brigade, and work station.

Thus the transition of the economy to the intensive development strategy has speeded up somewhat. However, as noted at the June (1986) Plenum of the CPSU Central Committee, the process of reorganization is proceeding by fits and starts, the fundamental breakthrough has not yet been achieved, and this is a task that has been outlined for accomplishment in the 12th Five-Year Plan. The new conditions for economic activity, the transition to which must be completed everywhere during this 5-year period, give work collectives and higher-level bodies of administration the economic instruments that guarantee acceleration. Mastering them and effectively displaying economic initiative and boldness in solving the problems that arise in the course of working out the new methods of economic activity are important tasks of the personnel of all bodies of administration, the personnel of economic departments, sectoral ministries, and associations and enterprises.

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RESOURCE UTILIZATION AND SUPPLY

PLANNERS CONTINUE TO WRESTLE WITH SUPPLY, INVENTORY PROBLEMS

Supply-Planning Changes Urged

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 7, Jul 86 pp 50-59

[Article by S. Anisimov: "Planning Materials and Equipment Provisioning"; first paragraph is PLANOVOYE KHOZYAYSTVO's introduction]

[Text] Improvement in planning materials and equipment provisioning is an important factor in supporting rhythmicity of production. * The prerequisites for raising the quality of material balances and distribution plan * The saving of material resources is a prerequisite to supply-and-equipment support for economic growth.

The 12th Five-Year Plan is an important stage in execution of the Communist Party's program goals. Already in the next few years provisions are to be made for converting to implementation the strategic course that the Party has worked out for accelerating the country's social and economic development, based upon the reequipping and rebuilding of production facilities and upon making maximal use of the productive potential that has been created. During this period strong material foundations must be laid for developing the economy more rapidly and for increasing the effectiveness and strengthening the intensification of production.

Acceleration of the country's social and economic development requires further improvement in supervision of the national economy and solution of the tasks of comprehensively improving the control system, including planning, economic levers, incentives and organizational structures. During the 12th Five-Year Plan the centralization principle for supervising the economy, combined with development of the masses' initiative and creative activity and a rise in responsibility at all management levels, will be strengthened.

Main attention is being paid to raising the scientific level and the activeness of planning as a basic tool for realizing the party's economic policy. The central control organs are oriented to solving urgent tasks of social and economic development, implementing a unified scientific and technical policy, maintaining the required intersector proportions, executing a scientifically substantiated investment and structural policy, and creating the economic environment necessary for effective work by associations and

enterprises. The supplying of materials and equipment to enterprises is to be radically improved, in order to insure regularity in production and to eliminate crash work, which today often leads to a reduction in the quality of the output produced and to interruption in the fulfillment of contractual commitments for deliveries.

In recent years, thanks to an economic experiment that has been conducted on a broad scale in the country, it has become possible to define the new management terms that have helped to increase production efficiency. Enterprises that operate well have obtained broad opportunities for material incentives for their workers, better satisfaction of the workers' requirements for housing, children's institutions and pioneer camps, and the solution of other social questions. Conditions for reequipping and rebuilding enterprises through the production-development fund has been improved.

Under the new economic conditions, the output realization indicator, taking into accounts the tasks and commitments for delivering output, has been assigned an important role. This indicator has become one of the main ones for evaluating the activity of working collectives; it is now being used at 28,000 industrial enterprises. An intensification of attention to deliveries discipline has enabled the level of fulfillment of contractual obligations to be raised and the number of enterprises that did not meet their goals for delivery to be reduced from 47 percent in 1981 to 31.5 percent in 1985. At the same time, the problem of deliveries still remains severe. They still are not being carried out completely as to amount, the variety does not always correspond to the contracts concluded, and deadlines for shipments are missed. The practice whereby an enterprise, in pursuing the fulfillment of indicators as to volume in order to report on its supposed good shape, produces output that is not needed by the national economy, in violation of the contracts, thereby letting down the workers who rely on the enterprise, continues. This is especially telling in those cases where ministries whose products serve as raw material for many other branches fail to meet their goals for deliveries. Last year the indicators for deliveries by most of the machinebuilding ministries worsened, the main causes being interruptions in the supply of rolled metal in the assortment needed by the customer. USSR Minchermet [Ministry of Ferrous Metallurgy] plants not only underfulfilled the production plan but they also broke off the output of many effective types of rollings. Deviations in regard to the prescribed products mix were almost 3-fold greater than total underfulfillment of the production plan. This engendered a "chain reaction" in nonfulfillment of deliveries by the branches that consume the metal.

The CPSU Central Committee and USSR Council of Ministers Decree, "The Wide Dissemination of the New Economic Methods and the Intensification of Their Effect on the Acceleration of Scientific and Technical Progress," required that a large number of measures be aimed at improving planning and organization in the supplying of materials and equipment to the national economy.

In a preliminary procedure, 1986 tasks for the production of output, expressed in-kind, and funds for the material and equipment resources for a broad products mix were assigned to all ministries, agencies and Union-republic councils of ministers in August 1985. This improved conditions for making timely commitments for output, concluding contracts for deliveries, and readying production facilities to produce the output needed by the national economy.

A good prerequisite to increasing the independence of enterprises in making use of production development funds and funds for social and cultural measures and housing construction is a definite decree on the procedure for material and technical support for work that enterprises perform by the economic method through the resources of these funds and bank credits. It is envisioned, in particular, that the requirement for material resources for these needs should be satisfied in a first-priority procedure and in the full amount and that implementation of this supply will start with 1987, directly by USSR Gossnab regional organs in accordance with the orders of production enterprises, in conformity with the design papers.

This decision is extraordinarily important, since up to now enterprises having resources in the production-development fund often could not use them for their needs because of the lack of the material resources. Now these enterprises have been enabled to direct these resources toward the further development of production and the solution of social-development questions with a guarantee of materials and equipment support, regardless of the work being done. The main thing now is to implement the procedure that has been established.

An important prerequisite to improving the supplying of materials and equipment to the national economy is the development of completely outfitted supply for machinebuilding output, with the necessary degree of factory assembly. This form of delivery will be given preference, and planning organs, jointly with ministries and agencies, should call for an expansion of the mix of equipment subject to outfitted delivery and should support these needs completely with the funds for the supply and equipment resources.

Measures for improving the planning of completely outfitted deliveries have been strengthened by an increase in the responsibility of suppliers for making them in timely fashion. In particular, a delay or shortfall of equipment, items or materials that are included in a completely outfitted delivery entails payment by the supplier of penalties in the amount of 5 percent of the cost of the outfitted manufacturing line, installation or unit to the prime enterprise responsible for the outfitted delivery. On the contrary, fulfillment of contracts for such shipments enables the supplier to obtain a markup on the wholesale prices in the amount of 5 percent of the cost of the outfitted equipment.

Much has been done recently to improve planning and organization of the provisioning of materials and equipment and the creation of appropriate conditions for raising the level of management, but there are still many unresolved problems. They prevent enterprises from operating efficiently, from fulfilling the established tasks rhythmically and stably, and from making deliveries in strict accordance with the contractual commitments.

Indeed, still unsolved is the question of deadlines for developing plans and turning over funds for material resources, and the problem connected therewith of issuing scheduled orders for output delivery and the concluding between enterprises of contracts for delivering the output. The turnover to ministries and supply organs of data about the draft of the production plan by 10 August and of funds by 1 September has paved the way for better quality in the issuance of orders for the scheduled delivery of output. This has enabled supply organs to carry on with ministries, agencies and

industrial enterprises the job of coordinating plans for the varieties of output and to identify and distribute the resources in the detailed mix more objectively. But the existing problem is much broader. It is the fact that enterprises should receive the plans for production and funds for supplies and equipment before they start to prepare lists of specific material resources needed, and, after the arrival of the plans for assignment to suppliers, they should have 2 months in reserve for concluding agreements for the deliveries and for preparing for production.

Many years of work experience indicates that, for this purpose, plans for production and funds must be turned over in June of the year before the year being planned. Under the procedure for issuing delivery-schedule orders that has existed for many years, ministries and agencies are obligated to single out funds for materials and equipment for each year being planned and to turn them over to subordinate enterprises of USSR Gossnab organs 125 days prior to the start of the planned year (25 August). Consequently, ministries and agencies should have itemized plans for production and the funds at least 30 days in advance, that is, by 25 July of the year preceding the year being planned. And if to this is added the time the enterprises need for breaking down the lists of funds, then these deadlines are advanced to June.

However, it should be emphasized that these deadlines are determined on the basis of the existing practice for developing balances and distribution plans and for issuing schedule orders for the delivery of output. With further improvement of this process, it will also be possible to refine the deadlines for turning over the plans.

Right now USSR Gosplan makes up materials balances for almost 2,000 specific items of output, or about 70 percent of the resources consumed. Hundreds of fund administrators are included in each of the distribution plans. The process of making up the plans for supplying materials and equipment is complicated multifaceted work that is performed by planning organs jointly with the ministries, agencies and Union republics concerned. There is no need to elaborate all the processes of this operation. Suffice it to say that it takes many months, hundreds of people are active in it, and the national economy's operating effectiveness depends greatly upon the results. In this case, the broader the mix of output being distributed and the more numerous the fund administrators, the more complicated and lengthier the work. Therefore, a substantiated and carefully thought-out reduction of these planning elements will lead to a simplification of the work and to a shortening of the periods for developing the plan's papers.

Today one can state that the compilation of materials balances and distribution plans at the upper levels of control are too detailed and there are large reserves for reducing the amounts of the balances and the number of fund administrators and, as a result, the time taken to develop the plans.

Take, for example, the balance and the distribution plan for sulfur for 1986. The resources comprise several millions of tons. They are distributed to more than 80 fund administrators, 8 of whom require 99 percent of the total resources distributed, while only 1 percent is allocated to the remaining fund administrators, two-thirds of whom get from 0.1 to 150 tons of sulfur.

The preparation of each distribution plan of such volume causes much work in determining the requirement for material resources for each fund

administrator, based upon the norms and standards for their consumption, taking into account changes in the structure of production and consumption and the most economical use of the raw material. And even if one takes into account the fact that the fund administrators who use relatively small amounts of centrally distributed types of resources present to USSR Gosplan without calculations their requisitions for the planned period, in each case the corresponding sections engage in much work connected with accounting, calculating data and preparing papers. And all of this so that a line for the fund administrator will appear in the distribution portion of the materials balance with an indication of the few tons allocated to him, out of the millions distributed, and the balance itself is transformed into a bulky volume. Later this will give birth to a new flow of papers connected with the turnover of funds to ministries and agencies and the enterprises subordinate to them, with a later breakdown of the funds. And this ends up with the customer being supplied his funds at USSR Gossnab bases.

The 27th Party Congress set the task of restructuring USSR Gosplan's activity with a view to focusing its attention on long-range national-economic problems, primarily on formulating economy-wide intersector and regional proportions. Such a restructuring cannot be done without unloading from this economic organ work that other agencies and ministries can and should do. Distribution plans must be consolidated by reducing therein the number of fund administrators to which, up to now, material resources are allocated in a separate line in insignificant amounts. It is clear that this matter is not simple. Many ministries insist that they be allocated specific resources, since, if they fall into the "other consumers" category, they often do not manage to obtain the kinds of raw and other materials they need. The causes here are numerous, but the chief ones are deficiencies in organizing supply and the view that such consumers are customers without substantiation who will somehow manage without the given type of resources. Therefore, the question of improving the supplying of small-time consumers should be solved not by increasing the number of fund administrators in the distribution plans but by improving the forms and methods of the supply activity. In so doing, a special role is assigned to development of the wholesale trade by the means of production. Such a form of provisioning will enable USSR Gosplan's distribution-plan work to be reduced and these functions to be transferred to USSR Gossnab and, in so doing, paperwork to be reduced and timeliness of supply to be improved, the reliability and stability of supply to be increased, and a reduction in the reserves of material values to be achieved.

As is known, in March 1986 the CPSU Central Committee Politburo discussed the question of converting associations, enterprises and organizations of some ministries and agencies to the supplying of materials and equipment in the wholesale-trade procedure. More than 4,500 scientific-research, design-development, technological and other scientific organizations which operate on an independent balance sheet and about 7,500 enterprises and organizations of nonindustrial and some industrial ministries have converted to this progressive form.

In this case, a number of fundamentally important factors should be noted, thanks to which the wholesale trade acquires a new meaning, one that is basically different from the currently existing meaning. At present, more than

13 billion rubles' worth of output for production-equipment purposes is realized under the wholesale-trade procedure, of which deliveries without funds or ceilings, based upon long-term contracts with regional USSR Gossnab organs, make up about 1 billion rubles in terms of cost. Expansion of the wholesale trade with supply and equipment resources will enable the amount of unfunded trade to be increased about 10-fold.

At the same time, a transfer to wholesale trade does not signify an avoidance of planning. It is a planned distribution of material resources based upon the state plan for developing the national economy. Its singularity is the fact that USSR Gosplan allocates resources not to each individual ministry and agency but on a single line to USSR Gossnab, which should consolidate the entire requirement of the enterprises and organizations transferred to wholesale trade, and then distribute the resources obtained throughout its regional administrations, which will support customers transferred to this form of supply without funds or ceilings. Thus, the strict placement of ceilings in assigning resources is relaxed, the system of requisitions is abolished as being a nonrational form of presenting requirements, and the multichannel nature of distributing and realizing output is eliminated. An important factor is the fact that USSR Gosplan is freed of the excessive work of going into detail in distribution plans.

Successful realization of the solution adopted will depend greatly upon how the wholesale-trade resources will be provided. There should be no shortages here. Demand must be satisfied completely. When the consumer is assured of reliability in materials and equipment provisioning, he dispenses with the need to accumulate excessive resources, and this leads inevitably to the liquidation of such negative phenomena as overstocking and the artificial overstating of requirements.

The striving to transfer small-time customers to shortagefree provisioning with resources of which there is an overall shortage will cause the entire deficit to fall on the large consumers, that is, on those for whom the given type of resources is basic. Apparently this can be permitted, bearing in mind that the insignificant amount of consumption of the given type of resources by the very large number of fund administrators cannot exert a great influence on the level of provisioning for the main consumers. Here one must bear in mind that for each sector a portion of the resources is necessary in insignificant amounts. But a shortfall in deliveries of them interrupts the fulfillment of production plans of output that is most important to the national economy and reduces output quality. In order to solve the problem of the shortage other paths must be sought, at the basis of which is the creation of an economic environment that will motivate consumers to save resources.

An expansion of the wholesale trade by means of production corresponds to the requirements of the 27th Party Congress about imparting flexibility to the supplying of materials and equipment, in order that the economic mechanism will help the national economy to operate rhythmically and steadily. The customer receives a realistic possibility for displaying his independence in questions of materials and equipment provisioning. The deadlines for an order and for obtaining the necessary types of raw and other materials will draw closer together. This is especially important for scientific-research organizations, which cannot determine many months ahead just what

types of material resources it will need for scientific purposes and for test production. Therefore it is completely correct that it is precisely they who should be transferred first to this progressive type of provisioning.

At the same time, adoption of the decision to convert a portion of the customers to wholesale trade is only a prerequisite for realization of its advantages in deeds. USSR Gossnab organs must do much work in determining the wholesale trade's requirement for resources, based upon an analysis of the amounts, structure and dynamics of the actual consumption of resources for a number of preceding years and upon forecasts of changes, taking into account the amounts and structures of the consumer's reserves of raw and other materials and articles for complete outfitting.

Preparations for the future expansion of the wholesale trade must start right now. Aside from converting small-time customers to it, the question of those types of output for which a state of balance of the national economy's requirements with the existing resources has been achieved must be examined. Here also there is a major reserve for expanding the wholesale trade in a mode that is unfunded for the consumer.

Imparting order to the products mix of the output being distributed and refining the level at which the various materials balances should be worked out have an important place in improving planning of the supplying of materials and equipment.

The appropriate assigments to economic agencies on this matter were made in the decree on improving the management mechanism (1979). As a result, the products mix of the output was determined, the balances and distribution plans for which are approved respectively by USSR Gosplan and USSR Gossnab, and by ministries and agencies and the Union republics. It has been pointed out that each of these who approves balances and distribution plans are responsible for the state of balance of the plans with the material resources. The solutions adopted have helped to eliminate many negative phenomena. However, there are no few reserves for improving planning of materials and equipment provisioning. These are, primarily, the multiplicity of channels and of levels in the distribution of output. At present, aside from USSR Gosplan and USSR Gossnab, 46 manufacturing ministries and agencies are developing and approving materials balances and distribution plans for a number of types of output of intersector application.

The multiplicity of channels in distributing output complicates the situation of the production enterprises in matters of maintaining a state of balance of production plans with the support for them in regard to materials and equipment, since they receive funds not only from their ministries and regional USSR Gossnab organs but also from various ministries and agencies, there being, in practice, no one of them that can realistically answer for the provisioning of production with material resources, even the ministry to which the enterprise is subordinate, since the ministry itself receives funds for resources only in accordance with the USSR Gosplan products list. All the remaining funds bypass the ministry, and the ministry itself is ignorant: to what extent is the plan in balance with the resources at its enterprise? And even if the enterprise requests help, it rarely can extend it and much time is wasted on it. For, in order to look into the state of provisioning of material resources, ministry representatives should go to the

regional USSR Gossnab organs if it is a matter of the mix of products, and then either solve the problem or be convinced that this is impossible because of an inadequacy of resources, and should solicit an additional allocation of them.

The time obviously has come to get rid of the multiplicity of channels and levels. The enterprise should recognize that it should obtain from the ministry all the funds under the approved production plan. The one who approves the plan should balance it with the supplying of materials and equipment. Then right away it becomes clear who answers and for what. Naturally, the procedure for developing the material balances and for allocating the funds must be changed. All this work must be concentrated in two organs--USSR Gosplan and USSR Gossnab--which should work out distribution plans and turn all the funds over to the ministries and agencies in order that the latter may distribute the material resources among their subordinate enterprises. Realization of all the allocated funds should remain outside USSR Gossnab organs. They are obligated to issue schedule orders for the delivery of output and to monitor its delivery.

In matters of the planning activity of these two economic agencies, optimal distribution must be made between them of obligations for developing supply plans. It is desirable to concentrate in USSR Gosplan the work of making up intersector balances and distribution plans only in regard to a consolidated mix of output that includes all types of material resources, and to concentrate in USSR Gossnab work on a comprehensive products list that breaks down into detail the plans developed by USSR Gosplan.

In recent years, a practice has developed under which, because of a shortage as to variety of various types of output that has developed, an attempt has been made to eliminate the imbalance between the requirements for resources and their availability by making up an additional number of balances for the mix of output that has been broken down at the USSR Gosplan level. As a result, deficiencies in the ministries' work, which were reflected in the calculations, for developing production and incomplete consideration of changes in the requirements as to variety caused an additional workload for USSR Gosplan's balance sections. In this case, responsibility for striking a balance is shifted to their shoulders, while the ministries take up the stance of observers, as if they are somehow freed from responsibility for meeting the national economy's needs.

Take for example, finished rolled ferrous metal. USSR Gosplan developed over a period of many years a balance and a distribution plan for heavy-gage steel plate. These were broken down into greater detail by USSR Gossnab. The national economy's requirements for variety that developed for this type of product were determined. Delivery plans were worked out, taking account of the specialization of the metallurgical rolling mills, and plans for producing output were established. In 1982-1983 the national economy's requirements for 4-9 mm heavy-gate plate grew more acute. This was the result of an increase in the output of cold-rolled plate at the Novolipetsk Metallurgical Plant and the Karaganda combine and of molded section at the Amurstal plant, the raw material for which was the thick plate of the indicated sizes. In so doing, the commodity portion of the heavy-gage steel plate rolled continuously at the mills was greatly reduced and the supply thereof for the consumers fell correspondingly. USSR Minchermet had learned about

the prospective development of cold-rolled plate production but took no timely measures. As a result, the USSR Gosplan balance section involved was charged with making up still another distribution plan--for thick plate 4-10 mm thick--which in and of itself did not eliminate the shortfall.

The problem of raising the quality of the material balances that are being developed requires special attention. They are the basis for the supply plans, which total up all the resources and consider the national economy's entire requirement thereof. Coordination of the production volume required by the consuming branches with materials and equipment provisioning is achieved through the distribution portion of the balances. In essence, quality in the material balances represents a balanced state of the plans and is a guarantee of success in meeting the national economy's goals.

It still has not been possible to solve this problem completely today. With few exceptions, inaccuracies can be established in any materials balance, and they come down basically to two deficiencies: the resource portion is overstated or the requirement is understated. The causes of these negative phenomena are well known and have been subjected to criticism a number of times. Thus, unrealistic output production volumes often are planned; additional tasks unsupported by anything are assigned both for the production of output and for average reduction of materials consumption norms; the residues of suppliers and consumers who do not get involved in the turnover are included in the sources of the resources; and the requirement for operational repairs and other needs is not fully considered. In the final analysis, all this leads to a lack of balance in plans and to delays in deliveries.

One conclusion suggests itself: the supply plan should be made up to consider whether the material resources invested in it are realistic. They can be greater, but never less than what is distributed.

This does not at all mean that production plans should not be strenuous. They should be aimed right off at reaching the maximum indicators. In the final analysis, in order that the supply plans may be carried out, it is extremely important that the suppliers fulfill the plan for production as to the products mix and the variety that the customer needs. Indicators in the evaluation of an enterprise activity should be established to correspond with this. In this case, the plan indicators should be oriented to the achievement of a high rate of increase in final output--this is one of the reserves for obtaining a realistic volume of resources that is incorporated in the materials balance.

For many years the standard method has been serving as the basis for developing plans for economic and social development--the requirement for material resources is determined on the basis of technically substantiated norms and ways for satisfying it are studied. In the period of extensive development of the economy, when there were large reserves for bringing the principal types of resources into circulation, thereby meeting the growing requirement for them, such a planning practice was justified. However, with the growing strain on resources, the need to satisfy the requirements has become increasingly complicated, the more so since the consumption norms are not always technically justified and the requirements in connection therewith often are overstated. We have already gone beyond the maximum potential now for

increasing extraction. Moreover, a further buildup in the pace of extraction is for many types of raw materials tied in with ever-increasing materials consumption and financial expenditures.

So the time has now come when definite changes must be introduced in the provisioning of materials and equipment for production plans. Not an additional allotment of material resources but a wise reduction in the expenditure of raw and other materials, fuel and power should provide for a high pace of increase in industrial production.

Precisely this factor is considered in the Main Directions for the Economic and Social Development of the USSR for 1986-1990 and for the Period up to the Year 2000. It is required that savings of resources should become a most important source for supporting growth in the national economy's requirement for material resources, fuel and power. In the next 15 years, 75-80 percent of the increase in requirements for material resources will be met through savings. Already in 1990 it is planned to save 200-230 million tons of standard fuel equivalent and 12-14 million tons of rolled ferrous metals in comparison with 1985.

In this connection, the work of making up materials balances and distribution plans must be oriented more to the existing level of allocation of material resources in order that the required rate of growth of production may be provided by saving material resources. The 12th Five-Year Plan draft calls for practically uniform allotments of rolled ferrous metals by year for civilian machinebuilding, and it is planned, then, to satisfy about 90 percent of the growth in the requirements through savings of resources. Nevertheless, the requirement for rolled metal will be determined annually by branch in accordance with existing methodics for preparing plans, based upon the planned production of machinebuilding output and the consumption norms, and then the fund for rolled metal will be allocated, the amount of which practically will not differ from last year's because of the lack of an increase in the resources for these needs. The question arises: is it necessary to do so much work, can it not be simplified? It would seem that the reserves for improving planning have not been exhausted.

Take, for instance, enterprises with large-series production. They have all been converted to direct long-term economic ties and are operating under long-term contracts, they are distinguished by a complicated production structure, and they are basically stable consumers of material resources. Nevertheless, each of them receives each year funds which are confirmed by the appropriate delivery documents. Formally, these enterprises operate on the basis of long-term direct ties, but the supplier cannot in practice make delivery under the long-term contract without the established documents that USSR Gossnab organs formulate annually. The problem is well known, it has existed for a number of years, but this problem will not be resolved until funds with an additive by year are turned over to such enterprises for the five-year plan period. The volume of resources allocated to the enterprises that transfer to direct ties must be removed from annual distribution. They should be considered in the material balances on a single line. Relative to rolled ferrous metals, this will mean the removal of 40 percent of the resources from the annual distribution. Here it will then be possible to start working under a long-term contract and the enterprises will be enabled not merely verbally but in deed to solve independently the problems

of materials and equipment provisioning within the direct-ties framework. In this case, of course, the consumer's juridical right must be increased, in order to reduce the say of the supplier. The latter should bear increased responsibility for meeting the consumers' needs and for the timely delivery of output in complete accordance with the contracts concluded.

Right now, while production is being intensified and increase in the requirements for resources should be satisfied practically completely through the saving and rational use of them, and while the rates of growth in producing output must be provided for without increasing the consumption of resources, conversion must be made, where possible, to constant ceilings. As for production facilities with excessive materials consumption, they must plan growth of output with a simultaneous reduction in the allocation of ceilings (or of funds) for material and technical resources. It would be desirable to establish, instead of planning goals for an average reduction in consumption norms, goals for ministries to save material resources, the magnitude of which should support the prescribed rate of increase in the production of output.

Operating experience indicates that the establishment of goals for an average reduction in consumption norms does not justify itself completely, since in many cases they have been unjustifiably overstated and enterprises do not provide for a real saving of resources when they meet them. Metal utilization is an example of this. Thus, according to reporting data, Mintyazhmash [Ministry of Heavy and Transport Machinebuilding Enterprises] provided in 1984 for an average reduction of 15.4 percent in consumption norms of rolled ferrous metals from the 1980 figure, including 7 percent by introducing technological measures and by using rollings of better quality and section that is more economical. At the same time, the utilization coefficient of rolled ferrous metals was not increased but was even reduced. And that is the situation not just in this ministry.

Conversion to planning based upon constant ceilings for allocating resources and to the establishment of goals for indicators of savings in-kind, forces the ministry to intensify work on making rational and economical use of supply and equipment resources and to achieve thereby the required rate of production increase. Enterprises, knowing that there is no use expecting additional allocations of resources, will be compelled to search for ways to reduce the materials intensiveness of production by accelerating introduction of the achievements of scientific and technical progress, which will meet completely the 27th Party Congress's requirements. On the other hand, it will be possible for planning organs to engage not in redistribution of the entire bulk of resources but in distribution only of the total increase thereof in the priority areas. Naturally, the reserves required for this work must exist.

The problems set forth do not exhaust the whole range of questions that affect a rise in the quality of planning materials and equipment provisioning. At the same time, elimination of the deficiencies indicated above will promote stable growth of social production and increase its effectiveness.

Reduction of Reserve Stocks

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 7, Jul 86 pp 78-81

[Article by V. Zaikin, chief of a USSR Gosplan subsection, and Candidates of Engineering Sciences A. Khryashchev and R. Radionov: "A Mechanism for Establishing and Monitoring Reserves of Material and Commodity Valuables"]

[Text] The papers of the 27th CPSU Congress noted that the system for supplying materials and equipment is in need of serious improvement. It should be transformed into a flexible economic mechanism that will help the national economy to operate rhythmically and stably.

Some of the aims of improving the economic mechanism are those of saving material resources, bringing above-standard reserves into circulation, and reducing standard reserves gradually, bringing them down to optimal amounts.

At present the problem's severity is marked not only by the magnitude and structure of the reserves of material and commodity values but also by a rate of growth that outstrips that of the gross social output. Thus, during the period 1965 through 1980 gross social output rose 2.38-fold, while the gross reserves (Footnote 1) (Gross reserves consist of the output for production-equipment purposes that is in the circulation and consumption spheres (finished output at the warehouses of supplying enterprises, commodity reserves of supply and equipment resources at warehouses of supplying and marketing organizations, and consumers' production reserves)) rose 2.81-fold. Growth of production reserves in industry for this same period were still higher--2.9-fold. The share of reserves in total working capital was great. In 1980 industry's working capital was 143.8 billion rubles, 57 percent of which comprised production and marketing reserves. A 1-percent reduction in reserves would enable industry to bring a total of more than 800 million rubles' worth of materials into circulation, the national economy as a whole 1.4 billion rubles' worth.

An important qualitative characteristic of gross reserves is their structure, in which the share of commodity reserves, the more mobile portion of them, grows slowly and is not accompanied by a reduction in the share of production reserves. While in 1960 the latter were 77.6 percent and final output reserves were 14.1 percent, and the reserves of supplying and marketing organizations were 8.3 percent, the 1983 figures were, respectively, 84.2 , 6.7 and 9.1 percent.

The system of preparation, confirmation and application to planning work of the norms for production, marketing and commodity reserves (at USSR Gossnab bases) of supply and equipment resources has been in operation at the enterprise, ministry (or USSR agency) and USSR Gosplan levels for about two decades. Organizationally, and from a methodics standpoint, the system has been supplied with the appropriate documentation, which considers the conditions for forming the reserves at enterprises and within the USSR Gossnab system, and also the documentation that governs the procedure for suppliers to dispatch finished output for production and industrial purposes and for the delivery thereof to the consuming enterprises. This work has brought tangible results. However, many ministries are not establishing for enterprises economically substantiated differentiated norms for reserves, thereby

hampering the monitoring of their actual state. As an illustration of the positive benefit from setting norms for reserves, let us examine the results of an analysis of the change in residues of rolled ferrous metals. In 1966-1969, when norms had not yet been established for reserves, residues rose an average of 1.7 percent per year. During the period of the development and use of the norms in planning work and the use thereof in monitoring the actual state of the reserves, residues were reduced (by 23 percent in 1969-1973) and right up to 1978 they continued to drop by an average of 4.5 percent per year.

Because of the fact that norms for reserves had not been reviewed for more than 10 years and the terms for supplying customers with resources "encouraged" surplus accumulations but the existing economic mechanism got rid of real responsibility for this; in 1978-1984 the volume of residues increased (by an average of 1.4 percent per year). A similar dynamic of residues was characteristic also for other materials. For example, Minselkhozmash [Ministry of Tractor and Agricultural Machine Building] exceeded the norm for primary aluminum 2.9-fold at the end of 1984. The residues of commodity coal in USSR Minugleprom [Ministry of Coal Industry] were 2.7-fold higher than the norm.

The magnitude of required reserves depends upon: the level of development of the system for supplying and marketing materials and equipment in the national economy; the nature of production and consumption of resources; and the organization for setting norms for production, commodity and marketing reserves and the monitoring of the actual state thereof. In so doing, a mismatch of the receipt and consumption of material and equipment resources in time and in volume causes an increase in production reserves. The level of commodity reserves is linked with the nature of deliveries and issuances at bases of the USSR Gossnab system. The magnitude of the marketing reserves of finished output is determined by correspondence of the rhythms of production and dispatch of output to customers.

The rhythmicity of supply and marketing of output is regulated by the Statute on Deliveries of Output for Production-Equipment Purposes, the Special Terms for the Shipment of Various Types of Material Resources (USSR Gossnab documents), and the Railroad Regulations. These papers, just like contracts between the customer and the supplier for the delivery of output for production-equipment purposes, comprises the legal basis for their mutual relations. During the 11th Five-Year Plan USSR Gossnab updated its documents, while the Railroad Regulations have practically not been reviewed since 1964. However, regulating the periodicity of delivery of resources and of regularity in providing freight cars for loading output contained in these documents has not undergone changes for the better in the past 10-15 years, and in some cases the changes introduced therein lead to a need to increase production reserves by 20-30 percent. Thus, the Statute on Deliveries allows a maximum interval of up to 60 days between deliveries (where the enterprise receives resources directly monthly), while the Railroad Regulations do not call for any kind of MPS [Ministry of Railways] responsibility toward the supplying enterprise for violating regularity in delivering freight cars over a 10-day period, if, on the whole, delivery is provided for during the 10-day period. Such wide tolerances in intervals in the delivery of output and unevenness in daily shipments necessitates high production and marketing reserves.

The decisions of authoritative organs have charged USSR Gossnab with developing progressive forms for supplying enterprises with material and technical resources: direct long-term economic ties, and guaranteed comprehensive supply (about 23 percent of the volume of the realizable output). An analysis of the work of 300 enterprises that converted to supply under these terms indicated that their production reserves were reduced by 1.0-1.5 percent. Such an insignificant reduction was occasioned by the fact that the introduction of progressive supply norms does not call for additional guarantees of regularity of shipments; this is governed by the same documents that apply to all other consumers. Regulation of periodicity in the supplying of resources to customers by USSR Gossnab system enterprises that deliver output are entirely lacking in this agency's documents.

Experience in preparing a standards base is persuasive that increase in production and marketing reserves and the existing structure of the gross reserve of the national economy's supply and equipment resources are the consequence of inadequate development of progressive forms of supply and legal regulation thereof, and, on the whole, of the failure of the system for providing materials and equipment to correspond to the tasks of raising social-production efficiency.

Comprehensive solution of the problem of reducing gross reserves should, in our opinion, call for the realization of a number of mutually related organizational and economic measures. The planned rhythm for producing output requires that same planned rhythm for the direct delivery also from bases of regional USSR Gossnab organs for the whole assortment of the necessary materials and articles. Only in such a case can supply be guaranteed and comprehensive.

For the successful solution of this task, a radical organizational restructuring of the supply system that is functioning is desirable: create on the basis of existing USSR Gossnab organizations, Union-republic gossnabs, and USSR Gosagroprom [State Agroindustrial Committee] supply and marketing organizations and ministries and agencies, unified regional cost-accounting associations that correspond to the existing regional administration division of the country. Their purpose: to provide customers a guaranteed comprehensive supply for the whole assortment of the supply and equipment resources required. They should bear responsibility for the assimilation of funds: conclude contracts with suppliers for the direct form of supplying customers; make centralized delivery of resources from bases to customers who expend them quarterly in amounts less than the direct norm for shipment; and redistribute material and equipment resources that are above the norm or are unused. Such a reorganization of the system for supplying materials and equipment and the legal regulation of the mutual relationships of customers and suppliers with intermediaries that corresponds thereto will enable a reduction of the resources to be planned and gross reserves of material and equipment resources to be effectively controlled.

Along with this, it is necessary to improve USSR Gossnab and MPS documents that govern the supply and organization of the marketing of output for production and technical purposes (the provisioning of contract deadlines and amounts of delivery of the required assortment of output, reduction of the permissible unevenness in deliveries, and so on). These reforms should be reflected in documents on methodics.

It should be kept in mind that the proposed organizational and legal restructuring will not yield the desired results if USSR ministries and agencies and Union-republic councils of ministers do not provide for a regular review and confirmation of the norms for marketing, commodity and production reserves of enterprises (or associations) and organizations.

Improvement of the mechanism for forming and monitoring reserves of material and commodity valuables requires a correlation of the material reserves expressed in-kind, for which norms are set, with the working capital of enterprises.

The CPSU Central Committee's Political Report to the 27th Party Congress emphasized that the financing system inadequately influences increase in the economy's effectiveness. This is confirmed by analysis of the state of working capital invested in reserves.

A rise in the level of reserves leads to an increase in the amounts of working capital and inevitably slows the turnover thereof. Working capital that is tied up in reserves of material and commodity valuables in all sectors of material production exceed one-third of the gross social output, and the tasks established by USSR Minfin [Ministry of Finance], beginning with 1983, for speeding up their turnover rate are not being carried out. Gross reserves not covered by bank credit exceeded 7 billion rubles as of 1 January 1985.

One of the main causes of this situation is USSR Minfin's approval of working-capital standards (including working capital invested in production and marketing reserves) by fund administrators without coordination with the norms for reserves in-kind, which are approved by USSR Gosplan and USSR Gossnab. This preserves the practice of establishing plan tasks based upon an existing "base." Therefore, the reserves, even above-standard reserves, do not influence the indicators of the enterprises' cost-accounting activity (payments for working capital, the forming of economic incentive funds, and so on). As a result, the motivation of ministers to search for opportunities to reduce reserves for speeding up the rate of working-capital turnover is reduced.

It is desirable to consider the norms for reserves for material and equipment resources and the standards for working capital invested in these reserves simultaneously and on a unified methodics base, using the same baseline information. This will enable coordination between them to be provided for, and standards being developed (expressed in-kind and in terms of cost) to be substantiated, and expenditures on their development and introduction into planning practice to be reduced.

It would be possible to establish goals for reducing the permissible range of deadlines for deliveries by year of the five-year plan with a corresponding reduction in the norms for the fund administrators' production reserves. A reduction of this range should be regulated by the Statute on Deliveries and the Special Terms for the Delivery of Material Resources. These goals can be the subjects of standard enactments which would coordinate juridically the requirements for reducing amounts of working capital in the national economy during the five-year plan period with concrete paths for realizing them.

It is probably necessary to change the system of mutual relationships between the supplier and the customer--to introduce a system of material incentives that will motivate the supplier economically to reduce a consumer's reserves. For this purpose, a system of markups and discounts on wholesale prices for the level of quality of the services extended (and for a lower degree of unevenness in shipments by interval and amount than called for by USSR Gossnab documents) should be worked out and introduced into the practice of economic relationships. The responsibility of suppliers must be raised and penalties stiffened when they violate the commitments for deliveries. Similar measures should also be worked out for other elements of the "shipper-transport-customer" system.

Realization of the proposed measures will enable solution of the problem of controlling reserve levels in the national economy to be speeded up, thereby enabling a real contribution to be made to raising social-production effectiveness.

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SLOW PROCRESS IN FAR EAST DEVELOPMENT DEPLORED

Baykal-Amur Region Discussed

Moscow EKONOMICHESKAYA GAZETA in Russian No 15, Apr 86 p 6

[Article by N. Singur, chief of USSR Gosplan sub-department: "The Future Begins Today

> [Text] To put the Baykal-Amur Mainline Railroad into permanent operation over its entire length and to begin the broad-scale economic development of this mainline's zone.
>
> From Basic Directions for the Economic and Social Development of the USSR for the Years 1986-1990 and the Period out to the Year 2000.

This article concludes the cycle of articles which told of the territorial-production complexes [TPK] and industrial centers being organized in the zone of the Baykal-Amur Mainline Railroad [BAM]. The weekly will inform the readers regularly about their establishment and development. For preceeding materials see: No 46, 1984; Nos 4, 8, and 11, 1985; Nos 3 and 14, 1986.

...The first wave of builders landed in the village of Nizhnetambovskoye where a nitrogen fertilizer plant will be built. The line of the Okha-Komsomolsk-na-Amur gas line is being laid at accelerated rates. Erection of the second section of the Vanino-Kholmsk ferry crossing has begun. Modernization of the Amur pulp and cardboard combine is proceeding in full swing. Construction of the fuming unit at the Solnechnyy GOK [mining and concentration combine] has been initiated.

All these events which were reported in the press virtually daily are links of the same chain because the discussion concerns facilities of the TPK's and industrial centers of the BAM's Amur zone.

The Baykal-Amur Mainline Railroad crosses the territory of Khabarovsk Kray from Eterkan Station to Komsomolsk-na-Amur. Here a zone with a total area of 136,000 square kilometers adjoins the BAM.

An important role in the development of the natural wealth of this region is played by the circumstance that already in 1980 permanent traffic was opened on the Eastern Sector of the mainline railroad along the Urgal-Berezovka-Komsomolsk-na-Amur line. This permitted reducing the delivery of cargoes to the shores of the Pacific Ocean by 450 kilometers. The Far East Railroad Loop was formed: Khabarovsk-Izvestkovaya-Urgal-Berezovka-Komsomolsk-Khabarovsk. The work which was conducted provides the opportunity to make active use of the production potential which has already been created for the development of other BAM areas.

The Urgal industrial center and the Komsomolsk territorial-production complex are being formed on the Eterkan-Komsomolsk section.

The basis of the Urgal industrial center, which is located on the territory of Verkhnebureinskiy Rayon, consists of the mining of coal and the development of timber resources.

Geological reserves of coal in the Bureya basin approximate 13 billion tons, and those prospected exceed one billion. In the BAM zone it is the second basin for reserves (after the Yuzhno-Yakutsk basin). In which regard the Bureya coals in combination with others can be coked but, for the present, they are used only as energy coals. The operating Urgalskaya mine is a highly mechanized enterprise with an annual yield of 1.7 million tons. There is also a section of open works with an extraction volume of 250,000 tons of fuel per year. Envisioned in the long range is the construction of a new open pit with an output of one million tons of coal per year and an increase in the capacity of the Urgalskaya mine to four million tons.

All this permits speaking of the expediency of constructing a powerful Urgal GRES [State Regional Electric Power Plant] in the future which operates on Bureya coal.

Of the big power facilities having inter-rayon significance in the industrial center (on the boundary with Amur Oblast), being constructed is the Bureyskaya GES (hydroelectric power plant] which will be included in the combined power system of the Far East. This plant will have important significance for regulating the flow of the Bureya, which will be reflected beneficially in navigation on the river and the development of agriculture on the Bureya Plain--one of the fertile areas in the south of the Far East.

Predominating in the forests here are conifers which are necessary for the pulp and paper industry and varieties of wood which enjoy increased demand in the world market. The concentration of reserves per hectare of production area is 148 cubic meters, which is considerably higher than in Amur Oblast.

On the whole, the territory of the Urgal industrial center is more than 80 percent covered with timber; therefore, the logging industry plays an important role in its formation. Already operating here are 10 timber management units which are part of the Urgalles [Urgal timber] association with a volume of fellings of about four million cubic meters.

The long-term development of the timber industry is connected with the development of new tracts to which the Baykal-Amur Mainline Railroad is opening access, with stabilization of the volumes of timber felling, regulation of the cuttings, expansion of the work on reforestation, and with the development of production works for wood processing.

New shops have been introduced in the timber management units for the production of wood chips with a capacity of about 400,000 cubic meters. The wood is sent to the adjacent Komsomolsk TPK to the pulp-and-cardboard and wood working combines. In the future it will also go to the Selemdzhinskiy and Zeyskiy industrial centers for processing in the pulp-and-paper production works.

The presence of birch wood makes the construction of a plywood plant in Chegdomyn expedient.

The Komsomolsk territorial production complex includes enterprises of the machine-building, nonferrous and ferrous metallurgy, oil refining, wood working, light, and food industries and the construction industry.

Among its ranks the TPK singles out three rapidly developing centers: the Komsomolsk, the Amurstal, and the Solnechnyy.

The Solnechnyy industrial center specializes in nonferrous metallurgy. Located here are eight tin ore deposits, a portion of which is already being used by the Solnechnyy mining-concentration combine. Development of the Badzhalskiy, Yam-Alinskiy, and other tin ore regions will expand and strengthen the raw material base of the mining-concentration combine and will create the preconditions for a considerable increase in the production of nonferrous metallurgy products.

Remaining as an important problem of this branch in the TPK is the combined use of the ores at the Solnechnyy combine. Now, of the 11 components contained in the ores only 5 are extracted. For the complete use of the raw material it is necessary to accelerate the putting of the fuming unit into operation and to construct a metallurgical plant at the combine.

Wood working and pulp-and-cardboard combines are operating in the Amur industrial center of the Komsomolsk TPK. The former specializes in the production of lumber, wood fiber slabs, glued plywood, and technical hydrolytic raw material while the latter produces pulp, paper, cardboard, and glued plywood. Close technical ties have been established between these enterprises, which ensures the thorough processing of the raw material.

Along with machine building, great significance for the economy of the Far East is had by the ferrous metallurgy of the Komsomolsk industrial center. For a long time it was represented by the plant Amurstal [Amur steel] which produces rolled stock and plate from scrap metal. A plant for roll-formed sections was put into operation in 1980. In the 11th Five-Year Plan, construction of a second conversion plant was begun on a site of Amurstal.

However, even after the planned modernization of Amurstal with an increase in the output of production the requirements of the Far East's industry and construction for ferrous metal rolled stock will not be completely satisfied without the creation of a new, big metallurgical base in the region. All the necessary resources (iron ore, coking coal, various fluxes) for this are present in the zone of the BAM.

The solution of a problem which is important for the development of agriculture in the Far East--the production of mineral fertilizer-- is planned in the Komsomolsk TPK. Sakhalin natural gas will come to the area of Komsomolsk-na-Amur in the 12th Five-Year Plan. In January 1985 the builders of the Okha-Komsomolsk-na-Amur gas line laid an inverted syphon across the Amur. In a year the first detachment of builders of the new satellite city landed in the village of Nizhnetambovskoye, not far from Komsomolsk. The first big enterprise in this city (the Khabarovsk Komsomol announced a competition for its name) will be a nitrogen fertilizer plant which uses Sakhalin natural gas as the raw material.

A large contribution to the development of the BAM zone is being made by enterprises of the oil refining industry, the construction industry, and the light, food, and other branches of the Komsomolsk TPK. The problem of strengthening the fuel-energy base of the TPK is now being moved to the foreground. Its solution along with the introduction of capacities at the electric power plants of Komsomolsk and Amursk which are under construction will also further the use of Sakhalin gas as fuel. An open pit with a capacity of 4.5 million tons of coal per year may be built at the Lianskoye deposit of brown coal which is located in the Priargunskaya depression.

Special significance for the development of the economy not only of the Far East, but also of the entire country, is had by the emergence of the Baykal-Amur Mainline Railroad at the Pacific coast. The length of sea shipments to Kolyma, Sakhalin, and Kamchatka is reduced by 1,000 kilometers in comparison with the route from Vladivostok.

In 1974 a bridge crossing across the Amur at Komsomolsk-na-Amur--a unique structure and the pride of the BAM bridge builders--was turned over for operation. This increased significantly the capacity of the Komsomolsk-Sovetskaya Gavan sector along which the Sovgavan [Sovetskaya Gavan] industrial center of the BAM zone is now being formed on the territory of the Sovetsko-Gavanskiy and Vaninskiy Rayons of Khabarovsk Kray.

The specialization of the industrial center is caused first of all by the accomplishment of important transport functions connected with the shipment of cargoes over the Komsomolsk-Sovetskaya Gavan sector and further to the northeastern zone of the Far East and to Sakhalin with the use of the Vanino-Kholmsk ferry crossing. In the 12th Five-Year Plan it is planned to construct the second section of this crossing with the putting of two more ferries of the "Sakhalin" type into operation and the reinforcement of the port structures in Vanino and Kholmsk. The increase in the capacity of the ferry crossing requires the corresponding modernization of the Komsomolsk-Sovetskaya Gavan Railroad Line, too.

Nonferrous metallurgy, ship repair, the timber industry, and the wood working industry as well as home building are also developing in the Sovgavan industrial center.

Economic Problems Highlighted

Moscow GUDOK in Russian 10 Jun 86 p 2

[Article by N. Georgiyev, Blagoveshchensk: "The Mainline Railroad Requires Concern; Notes from the fourth conference on problems in developing the zone of the Baykal-Amur Mainline Railroad"]

[Text] To put the Baykal-Amur Mainline Railroad into permanent operation over its entire length, to begin the wide-scale development of the zone of this mainline railroad--these goals were defined by our party's 27th Congress. How can they be attained more rapidly? What can science do for this? What experience should be utilized and which should be rejected? These and other questions were discussed by participants in the fourth all-union conference which took place in Blagoveshchensk.

The Great Council on the BAM [Baykal-Amur Mainline Railroad] stated with anxiety: preparations for the wide-scale development of the new, richest lands are being developed slowly. There is still much work on the road itself. Suffice it to say that the builders of the mainline railroad have assimilated only about 70 percent of its estimated cost. Many locomotive and railroad car depots are not ready for operation and great lagging behind has been permitted in regard to housing and facilities for social and cultural services. Acceleration begins with a good construction base; however, assets are not properly used for its development. Subsections of the Ministry of Transport Construction failed to meet the times for introducing capacities at the Tayshetskiy construction industry combine and are impermissibly late in starting up the plant for the production of brick at Bamovskiy Station. Great criticism is merited by the work of the Shimanovskiy combine of the construction industry which never established the rhythmic production of high-quality articles for large-panel home construction.

Of course the road will not operate at full power today or tomorrow. But this by no means signifies that the ministries and departments and those who are to develop the zone of the BAM should wait for a special signal to begin their activity here. The following detail: representatives of 32 ministries and departments participated in the work of the scientific and practical conference; meanwhile, today a few are taking part in the development of the BAM zone. You can't bring the others here for love or money. What is the matter here? It is believed that it is departmental sluggishness. The Ministry of Ferrous Metallurgy, the Ministry of Nonferrous Metallurgy, and a number of other ministries know perfectly well: the BAM zone is a storeroom, it should be explored. Take the iron ores of the Yuzhno-Aldanskiy Rayon which occur at shallow depths--some of these ores can be mined with an excavator and do not need concentration. But the metallurgists are not hurrying here.

Meanwhile, this departmental sluggishness is far from harmless. Scientists have estimated that annual expenditures on the delivery of metal to the Far Eastern region from Western Siberia and from the Urals (this also includes the return hauling of metal scrap) cost approximately 60 million rubles, so that the creation of its own metallurgical base in the BAM zone is simply necessary.

In the century of the flourishing of electronics a copper deposit, the storeroom of the most marketable raw material--the Udokanskoye deposit--has already been prepared for industrial development. But alas. The Ministry of Nonferrous Metallurgy is not hurrying to extend its hands here or to deposits of lead and zinc.

"The zone of the BAM awaits the arrival of miners, petroleum specialists, and personnel from the construction materials industry, and there are enough raw materials for a good dozen branches," said the minister of geology of the RSFSR, L. Ravnin. "And, you see, what raw materials. There are heaps of it, all unique. Here, let us say, asbestos lies in the local depths. It is beyond price: for saturation of the fiber it surpasses the famous Urals asbestos 16-fold. But we do not take it. I believe that the sluggishness in developing the BAM zone can lead to a raw materials famine in other branches. In particular, the Ministry of Mineral Fertilizer Production may find itself in such a situation. Reserves of apatite on the Kola Peninsula are not unlimited. The question arises, what hampers going to the BAM for raw materials? Large expenditures to put new deposits into production? But this is an excuse. Whatever money new enterprises may spend here, they will surely turn a profit. We can boldly predict that in the future the entire country will be supported on the resource shoulders of the BAM...."

Another aspect of the problem was also learned at the conference. For the present, the geologists do not have a complete picture of the riches which are present, either. Not even a quarter of the territory which it is planned to develop by the start of the new millenium has been covered by geological explorations.

The creators of new equipment also require much time. In the opinion of specialists, losses from the employment of mechanisms which have not been adapted for work under conditions of the North comprise up to 150 million rubles annually. The program for the development of the BAM zone which is directed toward the future cannot and should not be based on regular technology, "resort equipment." Equipment for northern regions requires special alloys, frost-resistant lubricants and rubber, and reliable heat insulating materials. It should be our own. It is not thrifty to be oriented on foreign equipment. About a billion rubles have been spent on the purchase of imported equipment since the start of construction of the mainline railroad. But it turned out that mechanisms for local conditions could also be completely produced by Soviet industry. Here is an example of this. The Minsk 180-ton dump trucks which recently reached Neryungri proved to be just as good as the foreign trucks and they cost one third the price of those which were initially purchased in the United States. The 20-cubic-meter excavators produced at Uralmash [Ural heavy machinery plant] proved to be better in their working and "commercial" qualities than their analogs of the Marion firm. One trouble: they reached the BAM late.

The participants in the conference came out unanimously against the orientation of the ministries on "overseas" equipment. The recommendations worked out by the conference pointed to the necessity for the integrated use of natural resources. The first steps in the development of the mainline railroad's zone can already be called wasteful. Woodworking waste goes to the dump, but you see, it is possible to obtain from it wood shaving and wood fiber slabs and pulp which are in such short supply in these places.... It is also the same picture with the processing

of ore raw materials. Scientists believe that at least a million workers are required to realize the program which has been worked out for development of the BAM zone. New cities and villages will appear on the map of the region. How is their birth seen by the scientists? Will they really repeat the difficult fate of Tynda which now is suffering an acute shortage of housing and can in no way get rid of the railroad car dwellers and the prefabricated panelboard temporary structures?

Yes, it was difficult for the city to shelter all those who were eager for a large construction site. Since 1974, the population of Tynda grew 15-fold and much housing was built and is being built. But nevertheless, it is not enough. Today about 4,000 families of railroad workers alone need comfortable housing in Tynda. The obvious disproportion in the development of production and residential construction is present.

"To approach the BAM's problems in a new manner and to improve our work methods means intensifying attention to man and putting an end to the residual principle of such an approach to the solution of social problems," stressed Academician Aganbegyan in his speech.

"The resident of the permafrost zone does not need any home--he needs the best of the best."

The draft program for developing the BAM zone envisages the elimination of the distortions which have been committed in socio-economic policy. By the year 2000 it is planned to put 16.5 million square meters of housing into use. There will be 15 square meters for each resident of the permafrost country--five times more than now. An increase in the comfort norms is envisaged.

And what specifically awaits Tynda? Estimates show: it is necessary to increase the volume of housing construction four-fold to satisfy the requirements of the city's residents and to double the rates of growth in housing. Of course, it is not easy to attain this. But nevertheless, there are many opportunities to accelerate the resettlement of people in comfortable apartments. The participants in the conference consider the centralization of capital investments to be one of the most important levers. The capital of the BAM should develop as a single organism; it should have a single buyer.

Management Programs Discussed

Moscow PRAVDA in Russian 6 May 1986 p 2

[Article by A. Chernyy, first secretary of Khabarovsk kraykom, CPSU, Khabarovsk: "Territory and Branches; The Economy: Management Problems"]

[Text] The contribution of the Far Eastern region to the development of the country's national economy is more and more substantial with each five-year plan. The development of the tremendous uninhabited territories, the movement of industry toward the eastern borders, and the celebrated erection of legendary Komsomolsk-na-Amur became an important landmark of history. In the new wording of the CPSU Program which was adopted at the 27th Congress it is

written: "A component part of the party's economic strategy was and remains the accelerated development of the productive forces of Siberia and the Far East."

In particular, it was planned to ensure the optimum combination of branch and territorial management of the economy, the integrated economic and social development of the republics and regions, and the organization of efficient interbranch ties. Why is this important?

Branch management, as is known, is accomplished in accordance with the principle of from above to below, as if vertically: from the ministry through two or three elements to the enterprise. But the interests of the territory's development require of the local organs orientation along the horizontal, that is, aiming at raising the overall level of the economy and other vitally important spheres. The combining of the directing vectors is not becoming a simple matter: frequently the interests of the branch do not consider the interests of the territory.

I will present an example: at the beginning of the 1980's a shortage of electric power and heat developed more and more acutely in the kray. It was necessary to put new energy sources into operation as quickly as possible and to develop a mainline network of electric lines. In the Ministry of Power and Electrification they seemed to understand the urgent nature of the problem: in any case there were many promises. However, in practice it turned out that the delay in one was aggravated by coarse errors in another.

Raychikhinsk brown coal was determined as the fuel for the Khabarovsk TETs-3 under construction and the prolonging of the times for plant construction led to a situation where by the moment of initiation of work the reserves of these coals had already been exhausted. It was necessary to redesign the plant, and then they were forced to strictly limit the national-economic complex of the kray for power and heat and to suffer tangible losses in the production of commodities. And really, there were many complaints and much criticism from the workers. The situation has more or less stabilized only now thanks to the emergency involvement of all the forces and means of the kray for laying several electrical transmission lines in the taiga and the high-speed erection of heat mains.

What does this example of the failure to match the interests of the kray and the branch tell us? That in selecting branch priorities by the ministries and departments the most acute needs of territorial development were considered too approximately. Let us say, the modernization and increase in the capacities of the Urgalskaya mine management were stretched out to a decade and a half. Because of this, the very rich deposit of coal is not being used properly and inefficient shipments are increasing. And really, the acuteness of fuel requirements is retained. Is it realistic to hope that Yakutyglestroy [Yakutsk coal construction]--the general contractor in Urgal--will deploy all its strength here if in the ministry absolutely different facilities are made responsible?

Reassumption of a centralized basis in planning as well as in management often leads to bureaucracy along with its advantages, deprives an administrative strategy of flexibility and maneuverability, and hinders various forms of cooperation. But the development of the territory exactly requires concentration and mobility of capacities and resources available and an original approach to the solution of interbranch tasks.

A broad program of residential and socio-cultural construction is to be accomplished in the kray. It would seem that a substantial construction base has been brought in: the capacities of the plants for large-panel house building will reach 1.8 million square meters per year in the immediate future. But for the present we are introducing considerably less housing. The entire matter is that the plants are under the jurisdiction of six departments. Only half their capacities are utilized because of fragmentation. It even reaches a stage where twoplants of one ministry are subordinate to different main adninistrations and hence a different approach to administration and the organization of the matter. And you see, solution of the problem of assigning personnel in the eastern part of the country begins with housing.

Participation of the branches in the development of the territory should be directed not only at the creation of work sites, but primarily at the formation of the necessary conditions for the life and labor of people regardless of their professional affiliation. Now, for example, in Komsomolsk-na-Amur the problem of water supply is beginning to send out alarming signs. But, it seems, except for the party gorkom and gorispolkom for the present the matter has not reached an urgent lack of balance for anyone. Managers of enterprises put the blame on higher main administrations and associations. They say that they can begin to do their share only with their consent. In turn, in the main administrations they refer to the ministries.

Even when solving the problem of partial participation the ministries and departments do not hurry in allocating the stipulated resources. And it turns out that of the more than 15 million rubles which should be directed toward the construction of a number of power facilities of the kray such shareholders as the Ministry of Railways and the Ministry of Construction in the Far East and the Transbaykal Region and Ministry of Communications of the RSFSR have not allocated a total of even one million. Departmental interests prevail, and local needs are ignored under any pretext including the excuse: they say that they will not be put into production. It is believed that the time has come to put an end to this situation.

It would be expedient first to designate as a directive the rights of the local Soviets of Peoples Deputies which, proceeding from the interests of the territory as a whole, could systematically concentrate the capital investments of the departments, let us assume, through Gosplan and concentrate them on the most important direction for the city or the kray. It makes sense to envision by law the responsibility of the ministries and departments for the development of territorial centers where their enterprises were based.

It is precisely in a spirit of reorganization that it would be completely justified to assign to the local Soviets complete authority for the management of the national economic complex. And to raise their legal competence in these questions --to create organs of nondepartmental monitoring within their framework. It may be objected: they say, even without that the Soviets have sufficiently high authority both for coordination between branches and for monitoring the activity of the enterprises. This is true but, you see, it is in vain that in recent years the question is posed more and more acutely concerning getting rid of the substitution, on the part of the party organs, not only for the management apparatus locally but also for the administrators subordinate to the center. This was also discussed at the 27th Party Congress.

The party organs must willy-nilly delve into the various details and small points because complication of the administrative mechanism requires effective coordination, an integrated approach, and in general a new level of coordination between the branches and local organs. And the substitution arises precisely because various territorial organizations already lack the weight in the solution of many current problems.

In turn, various organizations besiege the party committees with requests and demands for rendering assistance. Here, for example, is a request which was contained in a letter from the Tsentrotekhmontazh [Central Technical Assembly] trust of the Ministry of Assembly and Special Construction Work which was addressed to the first secretary of the CPSU kraykom: "We request you to adopt measures to speed up the delivery of foundations for the assembly of technological equipment and thereby accelerate putting the facility into operation."

Well, what can be said about this? The only response suggests itself: it is time for the ministries and departments to put an end to the worthless practice of using as "pushers" and dispatchers the representatives of party committees. The coupling and balance of interests, of branch as well as territorial, should find a common point of support. Much in this reorganization will depend on the organization of planning.

Integration in the use of branch capabilities suffers with today's practice of preparing plans. Whether we want it or not, for the present a departmental approach prevails. Proceeding from this, the local organs structure the prospects for the development of the territory. Of course the local planning commissions also submit their studies. However, they are considered already in the second phase and, again, only with the imposing support of the party committees.

It is not by chance that several years ago a staff of authorized agents began to be created in individual regions of the country which, as appeared at first, would bring centralized planning closer to the requirements of the territories. Well, at one time Dalplan, for example, solved the problem of the region's development rather completely and in an integrated and balanced manner. But the powers of today's Gosplan subdivisions are extremely limited locally: they only participate in the preparation of drafts of plans and do not possess the slightest deciding voice during their approval. So even at the planning stage it is necessary to be occupied with insuring the "passability" of our suggestions.

We should raise significantly the status of the staff in the regions, let us assume, to the level of Gosplan of the union republics. The competence of Farplan, for example, could include questions of the development of regional and local production works and the agroindustrial complex.

In planning capital investments for the needs of the infrastructure, in our view, we could embark on some decentralization. As regards the production sphere, in the future, too, the branch principle will be predominant in its realization. The volume of capital investments in the social infrastructure as well as in a branch of the non-production sphere should be planned along the line of local Soviets of Peoples Deputies in the cross section of the territory.

Life itself aims at these steps. The departments are now complaining that the local Soviets, with their partial participation in the construction of housing, at times withdraw up to 35-40 percent of the constructed dwelling space for needs not directly connected with production. But this removal is caused by vital necessity. So isn't it simpler to solve the problem legislatively?

Incentives which would attract branches to the development of the uninhabited regions of the Far East should become the most important element of planning in the new manner. Capital investments should be planned with the precise consideration of the territory's specific nature. In particular, for branch finances not to suffer loss stimulating economic quotas are necessary, for example, for construction in remote regions, and special-purpose allocation of assets for partial participation in the formation of center facilities and systems is needed.

However great may be the significance of Siberia and the Far East for our country today, it will grow immeasurably in the immediate future. As is known, by the end of the century it is precisely here that the country's requirements for fuel, electric power, wood, nonferrous metals, and products of contemporary chemistry and microbiology should be satisfied to a great extent. And that is why, in achieving the solution of the most urgent tasks, as M. S. Gorbachev noted at a conference of party-administrative activists of Tyumen and Tomsk Oblasts last autumn, today we should look far ahead. There is a need for clear notions on how to utilize the production and economic possibilities of the eastern lands most efficiently and effectively.

The construction of a new city on the Amur has now begun in the kray--the future center of the Far East's large-scale chemistry industry. It is time to project the entire engineering and auxiliary system, plan capacities for heat, energy, and water, and lay out the communications network. Personnel of the Komsomolskmetallurgstroy [Komsomolsk metallurgical construction], Ferroconcrete Articles No 2, and other trusts, being interested in the fate of the city of the 21st century, pose the question: will not the misfortune of today's Komsomolsk-na-Amur which are connected with water, heat, and the presence of schools and stores be repeated there?

The questions are not by chance. A single client could cope better with the task of integrated construction, but for the present planning is not directed toward this. How many plants and whose branches will comprise the city's industry are not known. When the overall picture becomes clear, it is the staff of authorized agents of Gosplan USSR which is able to transform itself into the main planning-monitoring organ for construction of the city, implementing its line through the local Soviets of Peoples Deputies. But, I repeat, the functions of the staff should be expanded accordingly and influence strengthened.

It is believed that proceeding from the decisions of the party congress, the course should be implemented more rapidly and decisively for the combination, more correctly--matching of branch and territorial interests. It is especially important to use new forms of interbranch structures for the development of new methods of planning, control, and monitoring in the national economy. The alloy of experience and aspirations should work for one goal--the comprehensive improvement of the living and working conditions of the Far Easterners and the multiplication of our region's contribution to the development of the economy of the entire state.

Local Soviets Stressed

Moscow EKONOMICHESKAYA GAZETA in Russian No 27, Jul 86 p 7

[Article by Ye. Milovanov, deputy commissioner of Gosplan USSR for the Far Eastern economic region, Khabarovsk: "Solving, Not Just Coordinating"]

> [Text] The basic directions for reorganizing the economic mechanism were determined at the 27th Party Congress. In particular, the task was assigned to ensure the optimum combination of branch and territorial management of the economy, the integrated economic and social development of the republics and regions, and the establishment of efficient interbranch ties.

Much has already been said about these problems in the materials of the discussion. I want to support the authors of the articles which were published: actually, a thorough reorganization is required.

In my opinion, half measures will not help here; a thorough search precisely for new solutions and their bold and rapid realization are needed. As is known, violation of the principle of balance turns into big troubles. It is not so simple to correct errors which have been committed. I will try to show this using specific examples of our region.

At one time, the capacities of the construction subsections of a number of ministries and departments, especially those of the Ministry of Construction in the Far East and Transbaykal Regions and Ministry of Power and Electrification of the USSR, increased slowly. As a result, they proved to be unable to accomplish the orders which arrived. They had recourse to the tactic of "plugging holes" and began to create so-called internal contract formations. But, not having the necessary base, they could accomplish only immediate tasks. In addition, the departments operated in disagreement. Therefore, the expected effect was not obtained.

The Ministry of the Coal Industry of the USSR did not proceed any better when it did not plan the construction of new coal open pits and mines although it also knew of the depletion of operating deposits, especially of the Raychikhinsk deposit--the main supplier of solid fuel in the Far East. In the ministry they selected a different path--to bring in coal from Siberia. Having adopted this decision, the coal miners did not inform the power engineers of this ahead of time. The latter learned that they must change the types of coal and their suppliers only in the process of the construction of the new facilities. Therefore, the putting of some of them into operation, for example the assemblies at TETs-3 in Khabarovsk, was delayed: it was necessary to introduce changes in the plans.

Most graphic of all are those troubles which were discussed and which disclosed themselves at the transport centers. The capacities of the seaports of the Maritime Province, Kamchatka, and Sakhalin are not completely used due to the slow development of railroad approaches. In turn, the stations of the Far Eastern, Transbaykal, and Baykal-Amur Railroads operate with interruptions because clear coordination has not been established with the motor transport enterprises of various departments. It is believed that we should add to this the insufficient

provision of ship repair, which leads to above-standard idling of fishing and transport vessels and, therefore, to a shortage of fish production and currency receipts. This is especially obvious in the example of the transport centers of Nakhodka, Vanin, and Magadan.

We can also present many other such examples, but the essence is not in their number but in the reasons which engender the phenomena themselves.

As is known, the development of the economy of the Far East occurred and is occurring through the concentration of production in industrial centers and territorial-production complexes, and their formation proceeds on especially branch principles. The ministries and departments which plan the development of their enterprises strived primarily for intrabranch efficiency and did not pay special attention to the requirements of the region as a whole. As life convincingly showed, such a path did not justify itself.

The fact is that departments are virtually unable to consider exactly the total requirement of production in each industrial region. Let us say, the capacities which they created in construction production produce the very same products and often find themselves idle while other necessary articles are transported from afar. Departmental barriers did not permit organizing coordination and the base of the construction industry proved to be split.

The pursuit of especially intrabranch efficiency in the coal industry led to the disruption of balance in the Far East in the mining and consumption of this type of fuel. Its being brought in from afar, especially low-calorie coals, proved to be economically unjustified.

The departmental method was unsuccessful in approaching the requirements of the region's economy and the structure of the machine-building branches located there.

The problems were further aggravated by the fact that the departmental approach also retook possession in the matter of the construction of housing and socio-domestic facilities. Operating in an uncoordinated manner and pursuing purely "their own" goals, the ministries paid little attention and even simply ignored the needs of the cities and settlements. And the moment came when flaws in the city economy assumed such scales that they began to inhibit the development of production itself, not even to mention the infrastructure. For example, the new production capacities could not be completely provided with a work force because of a shortage of housing. For this it is sufficient to recall the lessons of Bratsk, Ust-Ilimsk, Amursk, Neryungra, Luchegorsk, and Tynda.

The conclusion suggests itself: in overcoming interdepartmental barriers main reliance should be placed on the Soviets of Peoples Deputies. They have accumulated fair experience, for example, in the coordination of the production of consumer goods and housing and municipal construction. And if the Soviets still do not use in full measure their rights in the field of planning, then one of the reasons for this is the absence of a mechanism for harmonious territorial planning.

In coordinating interbranch cooperation, the Soviets should coordinate their preliminary plans and suggestions with a large number of departments. One objection is sufficient for them to be rejected. Each department, in essence, has the

right of "veto." And this is a brake in the development of both the region and the national economy as a whole! The organization of partial participation in the construction of facilities for general use may serve as an example.

After the Soviet "shakes down" all those with labor collectives the managers of the enterprises sign the record of proceedings concerning the allocation of funds for the erection of such a facility in the stipulated times. But these funds are not actually placed at the disposal of the enterprise, but of the ministry, for the record of the proceedings should also be approved in the ministry. And if even one of them does not give its "O.K." the Soviet must redistribute the funds anew.

This often drags into years. But life cannot wait so long. And that is why, let us say, in Tynda today 80 boilers are operating--each one heats "its own," although it is much more advantageous to have big heat sources.

In Kamchatka, almost each fishing sovkhoz acquires its own ship repair enterprise (it may be diminutive or economically disadvantageous, but, on the other hand, it exists). "Their own" stores, bakeries, and baths propagate.... Is it reasonable? If the Soviet is responsible for the development of the territory, then isn't it better to approach its activity on a state scale rather than a departmental scale?

The problem of the actually integrated development of the territory can be solved. A beginning, it appeared, has been made. Gosplan USSR has begun to approve the consolidated basic economic indices for the development of industry and the social sphere, in particular for the Yuzhno-Yakutsk TPK [territorial production complex], the zone of the BAM [Baykal-Amur Mainline Railroad], and for the Far Eastern economic region as a whole. However, not everything was completely thought out here. For the consolidated indices are derived once again from the corresponding sections of the ministries' plans. Only approving them, Gosplan can no longer substantially influence the structural and other changes and decisions being implemented in the region in accordance with the will of the branches. And in essence the correct idea of centralization in the planning of the TPK and economic region were transformed into a formality.

True, the departments of Gosplan USSR are trying to "shake down" questions of the coordination of the union ministries on one territory or another and to delve into all details locally. But you see, there is an excessively large number of them in industrial regions, TPK's, economic regions, autonomous republics, krays, and oblasts. The question arises: can this be done and, the main thing--is it needed?

I am confident that Gosplan should be spared such concerns. The purport of restructuring the planning mechanism, it is believed, consists of clearly establishing the levels at which the corresponding questions of interbranch coordination would be precisely solved, and not only coordinated and shaken down. These levels can be presented schematically as follows.

The local Soviets, and as a practical metter, their planning organs work out the program for development of the territory within their jurisdiction. On the basis of territorial limits and standards approved by Gosplan USSR, they plan in a

centralized manner housing and socio-domestic construction, general construction contract work, and the production of consumer goods of a specific variety for all enterprises regardless of departmental subordination. Ministries and departments are required to include planned measures and indices as sections in their branch plans and to provide them with material and financial resources in the established order.

The territorial organ of Gosplan USSR--for us the staff of the authorized agent for the Far Eastern economic region can become it as the basis--plans the development of big industrial regions and TPK centers and solves other interbranch and interterritorial problems. These plans and decisions should also be mandatory for union ministries and departments and should be included by them in the corresponding sections of branch plans.

Thus, the basis disappears for the appearance of purely departmental decisions. Unquestionably, this will limit the possibility for the department's "maneuver," including that such as accomplishing plans for production construction at the expense of housing and municipal services construction. The ministries will be freed of the functions of territorial planning which are unusual for them and they will be able to devote themselves more completely to the main thing--to undertake the problems of scientific and technical progress in a concentrated manner.

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